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TECHNOLOGY DEPARTMENT


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Based on Insurance

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At Home

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And within the area of your jurisdiction every precaution for the safeguarding of receivables must be taken. Constant study will disclose many opportunities to secure more complete and better protection for business property.

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WHEN Sinclair Lewis wrote "Main Street" he visualized the nerve center of American retail trade. From coast to coast, through towns and cities "Main Street" traverses the nation. Along its highway is transacted a very considerable portion of our retail business.

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"Main Street" welcomes Insurance, "The Handmaid of Commerce" as a partner in its business.

This is an advertisement by The Home Insurance Company of New York presenting a suggestion of the place which Fire Insurance takes as a vital factor of the nation's development.

THE HOME INSURANCE COMPANY NEW YORK

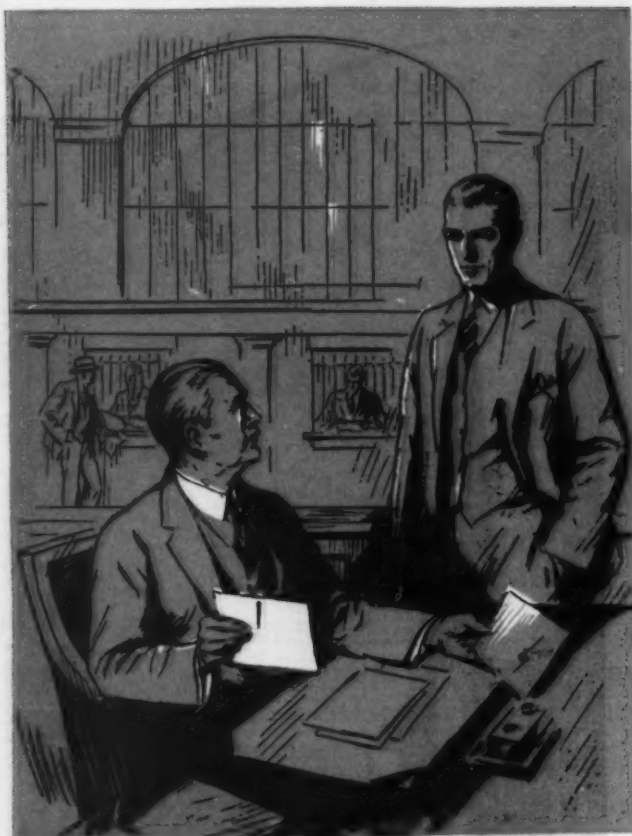
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"No More Crutches for You, Miller!"

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Irving-Pitt records are *specialized* for every business and profession.

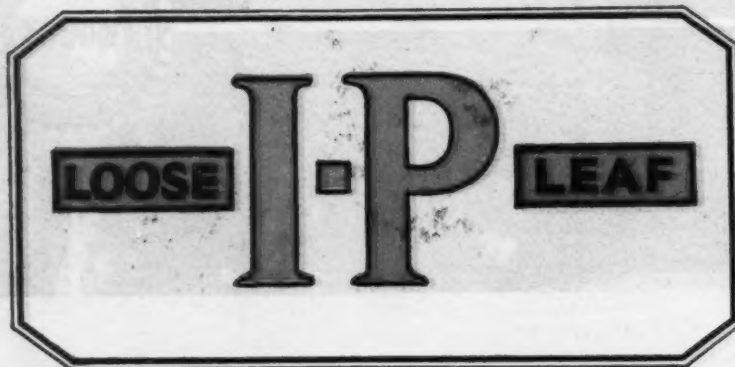
Our accountants have prepared a new catalog-manual, "Worth Keeping—Records That Talk." Ask your I-P stationer—or write us for this valuable addition to your library.

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The Credit Manager An Instructor in Insurance

By George J. Gruen

Treas., Gruen Watch Mfg. Co.
Pres., Natl. Assn. of Credit Men

IT is fundamental that credit is closely interwoven with various forms of insurance. Whenever a manufacturer or wholesaler sells a merchant, he should be conversant with the merchant's attitude toward carrying adequate insurance.

In lines such as furniture, dry goods or department stores, the question of fire insurance is of paramount importance. In many instances the passing of an order is absolutely dependent on sufficient coverage of goods purchased.

The Credit Manager often finds himself in the position of an instructor in the principles and often in the details of insurance, when he is dealing with his customer. He must therefore be posted as to the many kinds of insurance. It is often useful for him to be able to refer the merchant debtor to an insurance agent in the section where the merchant is doing business. The Credit Manager should know the names, reputations, and capacities of companies writing insurance in the various lines.

The National Association of Credit Men has always fostered the idea of proper insurance and has been and is a strong advocate of all forms of fire prevention.

In Defense of the Chain Store

COMMENTING on the statement by Executive Manager J. H. Tregoe of the National Association of Credit Men to the effect that the local chain store has no interest in its community, a retired retailer in a North Dakota town writes: "Does not the chain store pay taxes, rent, light, insurance, freight and express? Has it not several men and women in its employ who are spending their money in the town in which they are living? Is not the chain store training young men and making merchants of them? If anything, the chain stores are to be complimented because they are making better merchants of these storekeepers and in retailing it will be 'the survival of the fittest.'"

"You also mention that the man-

CREDIT

MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

RODMAN GILDER, Editor

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agement does not take any interest in the home town. I can cite a case of the local manager of one of the big chain organizations, who has done more for the progress of this town than all the other merchants put together. He owns farm lands, is a director in the local building and loan association which builds many houses for the needy, and he gives more to

charity than all the others combined. Not long ago the committee in charge of erecting a suitable memorial for the fallen soldiers of the World War had a difficult time to raise \$3,500. They lacked \$1,500 and went to this man. He gave them the \$1,500. Does that look as though the chain store people are only foreign leeches on the local communities?"

The Check Crook is a Fraud Expert



In the hands of a criminal expert, a check is an instrument ideally adapted to the successful perpetration of fraud.

Criminal ingenuity in this field, successfully applied, has already brought yearly losses in the U. S. to the staggering total of over \$100,000,000.

Now, as you read these words, *your* check—stolen from the mail or otherwise obtained—may be ready for "treatment." If pen-written, the treatment may consist of raising, change of payee's name, or

both. If filled out with a check-writing machine, or otherwise protected, it may be cashed by forging the endorsement.

Altered circumstances merely alter the check crook's methods. His "profession" makes him versatile.

The one *sure* protection—the only *complete* protection—is insurance. The rates are reasonable. And the Metropolitan Casualty allows liberal rate discounts for the use of approved protective devices.

Ask the Metro agent.

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The Beach-Comber

THE Sales Manager, draped on the corner of the Credit Manager's desk, grinned broadly as he watched his friend carefully tear off a two-cent stamp from an envelope that had come in with a circular and drop into his drawer another package of book matches picked up a few minutes before at the cigar stand.

"Henry, I hereby nominate you as president of the Beach-Combers' Association of America," said the Sales Manager. "I'll bet that on your vacation at the shore you spent most of every day picking up unconsidered trifles washed up on the beach, with which to furnish your home. If I didn't know you better, I'd think you were the closest white man in the world."

"All right," replied the other as he made a memorandum on the back of an envelope with a pencil imprinted "First National Bank of Ennyville, Pa.", "I accept the title of beach-comber. But let me tell you about Dick and George Jones. For years they drew down almost exactly the same salary. You know that Dick has come to a standstill financially at the end of sixteen years' work with this company. I have just seen George who left us five years ago after ten years here. He has a growing business of his own today.

"Dick had more suits of clothes than George, but his shoes were no shinier, though he paid to have them polished seven or eight times a week. George *bought* a shine about once a week, and shaved himself daily with the razor he used for his first shave.

"Their salaries rose together. And Dick bought a \$3300 car several years before George got a very good one for \$1800.

"When Dick broke his arm, it was found that his accident insurance had lapsed. He never did keep up his War Risk insurance, cheap as it is, after he left the Army in 1919. George has kept his going and has other insurance besides.

"Dick bought novels and other books as he heard of them; while George systematized his book and magazine reading and did most of it in his club or in the public library. The eight or ten volumes he bought every year were books worth owning. Many of the plays Dick saw were overpriced. George, better posted and in no particular hurry, seemed to get to most of the really good shows.

"George never bought a box of matches, and smoked a pipe instead of the thirty-cent cigars that Dick had to have. But I happen to know that George—who was what you call 'close' and a 'beach-comber'—was the one who paid for their mother's appendicitis operation. Dick wasn't able, at the moment, to come in on the expense."

"Don't break my heart," laughed the Sales Manager, lighting a fragrant cigar. "At least you will admit that Dick kept the wheels of industry turning."

"George was a buyer, too," declared the Credit Manager, "more so each year. Every dollar he made, and his credit also, worked for him. Dick's buying will decrease from now on, I'm afraid. And George is contributing more heavily all the time to the capital that industry needs just as vitally as it needs sales.

"Moreover, at a certain stage of the game, Dick will have to be carried along by someone, perhaps for years. If George should become incapacitated he could travel the rest of his life on his own momentum. Personally I feel—as president of the Beach-Combers' Association, if you like,—that it is worth a good deal of consistent planning and effort on a man's part to keep, at the end of the chapter, his independence and self-respect."

RODMAN GILDER.

Is fire insurance constructive?

The National Economic Security
of the United States today is the
product of creative business and
credit under the protection of
sound insurance.

QUEEN INSURANCE Co. of AMERICA

Fire Tourist Sprinkler Leakage Earthquake Explosion Marine
Automobile Riot and Civil Commotion Registered Mail Tornado

Incorporated in New York State 1891. Capital \$3,000,000

Total Assets, January 1, 1927	\$21,398,020
Liabilities	14,242,433
Net Surplus	7,155,586
Surplus to Policyholders	10,155,586

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MONTHLY

Vol. XXIX

OCTOBER, 1927

No. 10

Inundated Merchants

In Fairly Good Shape: Farmers Suffering Most

By George Grundmann

Albert Mackie Co., New Orleans

Director, National Association of Credit Men,

TO appreciate clearly the recent flood one must first realize that during the recent overflow more than a million acres of crop producing lands were inundated in Louisiana, and relatively large areas in Mississippi and Arkansas.

The 1927 flood was the greatest in the history of the country. There were more than 200 minor breaks and overflows of levees and at least 20 major breaks, and the property values affected involved millions of dollars.

By this time the water has drained from practically all of the once flooded area. Families are returning to their homes and farms. In some instances all has been lost—in others there has been salvage. As a matter of fact there has been a very considerable salvage of merchandise and household articles except of course in the direct path of unexpected breaks.

Planting has followed closely on the receding waters, but in most instances too late to be of appreciable value this year.

In the work of rehabilitation the American Red Cross has done splendid work. That great organization has assisted in feeding and supplying the inhabitants of stricken areas, replaced poultry, and farm implements and has supplied seed. It is evident that Red Cross resources are not sufficiently large to cope with the entire situation. More substantial assist-



GEORGE GRUNDMANN

ance should be given these people.

The flooded areas are being rapidly inhabited by the same people who fled before the approaching flood. They are returning home to the kind of livelihood that they know best. Despite discouragement, loss, and devastation, these people display a wonderful spirit.

Replanting Began at Once

In some instances homes in the direct path of the raging waters were swept away entirely; in other instances real and personal property was severely damaged, fences broken down, cultivated areas washed out, roads and paths ruined, bridges washed away, and everywhere evidence of the toll of the waters.

With a remarkable spirit, plant-

ing has followed close upon the receding waters, repairs to fences and property are proceeding wherever funds are available; roadways, public works, and bridges are being dug out of the sand deposited by the water and repaired. In some instances the sand deposited was as much as five feet.

Virtually all vegetation, especially annuals, were killed; many orchard trees and most of the shrubbery have been destroyed. Fig trees suffered most. Pecans, pears, plums, oranges and some other fruits withstood the flood wherever an appreciable part of the tree was above water. Most of the live stock was saved—most of the poultry was lost.

The soil of the lower Mississippi Valley is rich. It is capable of a quick comeback. Given a reasonable amount of assistance these people of the flooded areas will soon be on their feet again.

In many instances where it is too late for cane or cotton, or corn, sweet potatoes and forage crops will be grown. In the lower sections of Louisiana hunting, fishing, trapping and moss gathering will aid in making a livelihood.

Everywhere roads must be built, levees and bridges restored, property repaired, and from these sources some money will be available.

Some good will follow, like the

(Continued on page 28)



Courtesy N. Y. Times

Geo. Van Wercke

"Now MINE is a debt of honor!"

A Debtor With Temperament

Habits of Sheridan, Playwright and Sec. of Treasury

By E. C. Martin

IF a famous man does not pay his bills, this interesting fact is likely to be remembered equally with his great works. The biographer is always interested in the credit and financial transactions of his hero, and scans carefully his correspondence, and the record of his accounts and receipted bills. Thus are many details brought to light which show not only the personal idiosyncrasies of celebrated men in this respect, but the attitude toward debt of the times in which they lived.

These incidents, dragged into the light of day, are often decidedly to the credit of the famous debtor, as in the case of Sir Walter Scott, who voluntarily assumed the debts of his partner in a business which failed, and spent half his life working to repay the creditors. The proceeds from many of his most famous novels went to satisfy these creditors. The story of Mark Twain's noble performance of a similar task was told in the CREDIT MONTHLY of June, 1923.

On the other hand, instances of credit irregularities come to light which would send the modern credit manager to a sanitarium. Richard Brinsley Sheridan, famous playwright of the latter Eighteenth and early Nineteenth Centuries (1751-1816), who satirized his contemporaries in his witty comedies, was a famous and somewhat unruly debtor.

Sheridan was a figure in political as well as the literary life in England; he held a seat in Parliament in 1780, and, strangely enough, was Secretary of the Treasury up to 1783. Perhaps he gave so much time and thought to managing the finances of his country that he had little left over for his private transactions.

It was in 1792, when his wife died, and he began to neglect the theater for politics, that his debts really began to harass him. He had a considerable income, for he was the receiver-general of the duchy of Cornwall, possessed some valuable property, and held shares in the Drury Lane

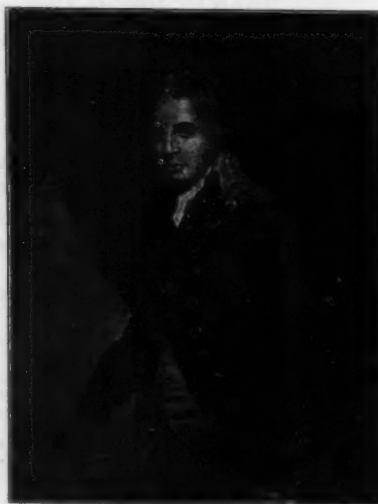
Theater. It was the Drury Lane fire in 1809 that ruined Sheridan. In 1815 he was arrested for debt, although his indebtedness was found to be less than £5,000—not an exorbitant sum for a man of his income.

Always Paying Debts

The fact that Sheridan was always in hot water with his creditors was the result of his temperament, which was generous but erratic, irregular, careless and given to procrastination. And he was totally lacking in business training. Although it was often asserted that Sheridan never paid his debts, the truth was according to one biographer, that he was always paying them, but in such a haphazard way that many injustices to his creditors resulted. That is, the creditor with a rightful claim was often made to wait, while the fraudulent but insistent creditor was sometimes paid two or three times over. Sheridan hated to examine his accounts or receipts—and this made such mistakes possible. Perhaps, like his famous character, Charles Surface, in the play "The School for Scandal," he preferred to make paying resemble giving.

There was also the wierd attitude of Sheridan's times toward debt, and the idea that some debts were to be paid before others, that tradesmen were rather vulgar persons and

(Continued on page 26)



Sir Joshua Reynolds' portrait of Sheridan.

OCTOBER, 1927

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The Duke Got Disgusted

By F. S. Hubbell

WHEN necessity demanded that he work in order to exist, the Duke laid aside his scruples against sweaty toil and took a job, provided the pay was good and the period of labor was short. Like almost everybody else, the Duke was dissatisfied with his place in the world, and he aspired to things bigger and better than skilled labor. He wanted to reach the plane in life occupied by many of his acquaintances who accumulated plenty of money through means that required only mental effort, with only an occasional hour of real work in an emergency, which was no more than a bit of exercise for a man, and as such was not too objectionable.

The Duke often reflected that he was too good in his line. It seemed to him probable that his skill as an electrician and all-around mechanic worked against his chance of progressing far. He filled his niche most creditably, and those who sought his services wanted him for the things he was known to do well and not for what from choice he would like to do.

He had no grievance because he was underpaid. His infrequent periods of employment brought him substantial returns. The kind of work he did was expert and was highly dangerous, and therefore commanded good wages. Nor was it because his work was dangerous that he disliked it. The peril involved was a part of the job, as much so as was the physical effort expended. In fact, the danger element was welcome because it made the pay higher and the necessity for steady work less acute.

The danger that confronted the Duke did not lie in high-tension wires or in ordinary accidents that

wait just around the corner for the electrician. It was lead-poisoning that imperiled him, the kind of poisoning that comes with a bullet from the gun of an interfering watchman or cop.

It was the muscular exertion, the distasteful old clothes he had to wear, the confinement, the lack of freedom that he hated; and as he guided an

But Jim failed to tell the Duke that the hole must be driven through tough steel. Three nights the Duke had spent drilling, drilling, drilling through the most stubborn metal he had ever encountered. The hole grew in size with a slowness that irritated him more each hour; and after the third night had been put in, the Duke surrendered to his injured feelings and gave up. He left his tools behind him on the floor, and called the job finished.

He found Jim Carroll at Tanny's in the middle of the morning and told him the hole was cut.

"She's through chief," he reported.

"O. K.," Jim said, and handed the Duke his fifty. He trusted the Duke to do a good job; and Jim himself didn't know that the job had presented unlooked for difficulties.

The Duke stripped off a ten-dollar bill from the roll in his hand and went into the back room. Jim finished his drink at the bar and taxied away to a business date with the X. Y. Z. Company partners.

"You're all set," he told them.

"So are you," answered Hinestein, reaching into his pocket. He drew out money and counted off \$1,000; gave it to Jim while Rosteranz watched the payment.

"So now we can go ahead," Rosteranz said. "Two days ago the stuff was cleaned from the vault out. Morris bought it already. . . . The hole is done good?"

"It's all right," Jim answered. "You got nothing to worry about. . . . You mean to tell me there ain't anything in that place to take out? . . . What did you want the hole cut for?"

"Business reasons," Hinestein

(Continued on page 22)



"Three nights the Duke had spent, drilling, drilling, drilling . . ."

electric drill on its slow way through the ceiling of the X. Y. Z. Company's vault, he felt more than usually fed up with his lot.

The Duke believed the job had been badly misrepresented to him; that he had been played for a sucker. When he and Jim Carroll made the deal over in Tanny's place on Ninth Avenue, a few days previously, it had sounded easy. He was engaged to drill a hole in the ceiling and was to receive \$50 for the job on completion. The drilling was to be done in a small unused room over the X. Y. Z. establishment, and he was assured of uninterrupted solitude. He had hoped to complete the work in a single night.

National Clearance System

Trade Groups Adding to Its Effectiveness

By J. E. Vaughan, Jr.

Central Division, National Association of Credit Men

THE National Association of Credit Men has for many years consistently advocated the theory that the exchange of ledger experience and credit data between business concerns can be effectively and efficiently accomplished through only one dependable medium. It has equally consistently maintained that the National Clearance System, with its chain of affiliated Credit Interchange Bureaus, is the nearest approach to the ideal medium which human ingenuity has yet devised.

Credit executives, trade associations and national industries are accepting this theory in increasing numbers; and it requires little study and analysis to understand the conversions to this great credit truth.

When the multitude of present day trade associations were organized, the primary purpose was the compilation and dissemination of trade statistics and the co-operative handling and regulation of trade problems such as production and distribution with which the respective industries were vitally concerned.

These organizations serve a useful and economic purpose and are valuable instrumentalities for their members. Credit executives played no part in the origin of these utilities of commerce. They had no voice in the deliberations of these august bodies for many years, and in consequence little or no consideration was given to credit matters.

Business concerns were willing to exchange information concerning their plant equipment and volume of production and labor problems. They were willing to discuss their sales practices and methods of distribution, and they went so far as to even exchange their cost data. But the process of weeding out unprofitable accounts—determining the "slow pays" and the "don't pays"—had proven a costly undertaking to each individual concern, and they stubbornly refused to exchange this information with one another. It was a case of, "every man for himself, and the devil take the hindmost," which the said devil usually did.

Trade Groups Plus National Interchange

FROM the viewpoint of one who has come in close contact with many phases of industry and commerce, Mr. Vaughan sees the great utility to credits of Trade Groups functioning with the inter-market and inter-trade National Clearance System.

This position was utterly untenable. With the expansion of trade, which has been so pronounced during the past ten years, there has arisen an ever increasing demand for credit machinery to cope with the increasingly complicated credit problems. Complicated because industries have been transformed from independent units of trade into interdependent parts of the Nation's commercial fabric.

With the increasing clamor for reliable and trustworthy credit facilities, no Moses, it is sad to relate, appeared to lead the credit children out of the wilderness. It is equally unfortunate that no Herbert Hoover stepped forth to issue a call for a business congress representing every branch of industry to provide the necessary credit machinery which business of every kind and character sorely needed.

In this situation some of the trade associations took an important step in the right direction. They set up within their own organizations credit machinery providing for the exchange of ledger experience and other credit and trade information between their members.

When Business Was Local

So long as business remained highly localized this machinery served an extremely useful purpose; but with the spectacular growth of the Nation's commerce and the radical changes which have taken place in merchandising methods in recent

years, this type of credit instrumentality has outlived its usefulness.

This statement should not be in any way construed as criticism or reflection against those excellent organizations which were forced by necessity into the credit field. Business has simply outgrown their established machinery.

To illustrate: We all remember the time when the dry goods merchant made his annual or semi-annual pilgrimage to New York or Chicago to buy his line of spring or fall and winter goods. His normal stock of goods was by no means widely diversified, neither was it large in volume, and, by reason of the prevailing low commodity prices, represented the investment of a comparatively small sum and involved no complicated financial problems. Today, that dry goods store, keeping pace with the times, has developed into a modern department store. Almost every commodity under the sun is carried in stock, healthy bank loans are outstanding, the accounts payable are heavy, but *divided among many classes of trade*. In these circumstances what chance has a creditor to obtain a complete picture of the debtor's "paying habits" by exchanging information with others in the same branch of industry?

The National Association of Credit Men with some 30,000 members representing every branch of commerce, set about several years ago to establish a clearing house through which its members could obtain the *credit information of all classes of trade* so that when a number of industries had a community of interest in a debtor account, the system would supply this information to each and every interested member. The necessary machinery was installed and set in motion. A central clearing house or bureau located at St. Louis was established, with sixty-six affiliated branches located in the key commercial and industrial centers, to facilitate and ex-

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Three C's of Insurance

Its Character: The Capacity to Judge It: Its Vast Capital

The famous Three C's of Credit are Character, Capacity and Capital. There are Three C's in Insurance also, which are described in this article by one who is dealing constantly with insurance and understands its close relation to credit.

SOME two thousand years ago a great crowd of people on a mountainside away in the East was asked, "What man is there of you, whom, if his son ask bread, will he give him a stone?"

No one who heard the question believed that there was any father who would give a stone when his son asked for bread; far less would anyone have believed a son would be satisfied with a stone when he wanted bread.

It is not likely that conditions have so completely changed since that day that men are now satisfied with stones in place of bread, or that the obligation to give bread when bread is asked for is confined to the narrow limits of the family circle; at any rate in the business world of today, credit and credit executives are asking for bread and oftentimes accepting stones in place of bread, for credit executives that ask for insurance protection and are satisfied with anything but the best that insurance has to offer are getting something quite as unsatisfactory as a stone for the hungry.

The very word *insurance*, meaning a *guaranty*, indicates that the purpose of insurance is to remove worry and care. Its cost does not enter into the definition, nor is it to be considered any more than cost is ever to be taken into consideration when quality is essential.

Insurance has had a gradual growth; the organization has been developed over a long period of years up to the point where it provides sound, safe indemnity in

case of loss. Just as in any other business there will be found here short cuts and cross purposes, second rate products and articles labeled "just as good." When credit managers buy insurance or urge insurance upon their debtor customers they are paying for and demanding protection, it is so foolish to be satisfied with something "just as good" in insurance as it is to be satisfied with any manufactured product of inferior grade even when it is alleged to be "as good as the best," because the "just as good" proposition is probably nothing better than a stone.

In every town or city in the United States there are established agencies offering the full services which are a part of the insurance business and which are at the command of local agents. They serve as clearing houses between the assured and the insurance companies.

In many instances there will be found some one who sells insurance as a side line and who asks the right to place his company's insurance. The policies will probably be quite satisfactory and the protection afforded the company adequate. However, it is to be remembered that unless a broker or agent represents an estab-

lished office with the experience and equipment there available to the best local agents he cannot offer the full service that should go with an insurance transaction.

It is obvious that an established local agency or a fully equipped brokerage office, after spending years in acquiring an experience and a knowledge of every phase of the insurance business, is able to put at the disposal of its client services that are not available to the unattached part-time individual. Such established insurance agencies are in a position to command expert engineering service, make suggestions for changes that will cause rate reductions, or give advice regarding the construction of buildings that will be awarded the lowest possible rates. The established office can guarantee to credit executives that your policies cover:

1. Exactly what you want protected,
2. To the amount you desire,
3. In sound companies at the proper rate. Such an office is ready to give you the best possible service and would in the long run suffer by handing you stones.

Although the credit manager is deeply interested in the payment of cash following a fire in a debtor's establishment, he is far more interested in the prevention of fires and the continued flow of production. For this reason it is incumbent upon credit managers to recognize agencies or brokerage offices that offer at least some semblance of a fire prevention service.

The "character" of insurance includes the payment of losses but specifically concerns itself with the *prevention* of losses, and, therefore, encourages the ceaseless flow of production and continues the era of prosperity.

It is well for the Credit Manager to make sure that when he asks for insurance, for his own concern or for one of his debtor custom-



You can have "just a policy" or an established service plus the policy at the same premium cost!

ers, he gets insurance and not "a stone."

The "Capacity" to Take Insurance Advice

WHEN a credit executive or any other business man has once learned the value of insurance as a protection to his business and to himself—and has discovered also where he can get sound insurance and the service that is a part of it—he has one more thing to learn: *Insurance to be insurance must be complete*; it must eliminate as far as human ingenuity can, the danger of the unexpected loss.

Do you remember the story of the man who went fishing in the ocean with a trout line? Naturally everything went smoothly as long as only small fish took his bait and were readily pulled in. His fun continued until a large-sized fish came into too close contact with the hook. Then the equipment he was using could not stand the strain and the fisherman lost not only his expensive outfit and the rest of the day's sport but

came very near to being yanked overboard in the sea.

So it is at times with insurance. To save a small amount of money in premiums a credit executive will take the chance of inadequate insurance or of requiring inadequate insurance. Small losses will be taken care of so easily that he is lulled into a false sense of security. Then something unexpected happens, the big loss comes, and inadequate insurance can no more cope with the disaster than the light trout line with a shark. Insurance itself does not fail, but the amount or the kind carried is not designed to meet a disaster. And disasters occur with alarming frequency when the whole country comes under observation.

Complete insurance naturally involves a careful study of a property or the business before recommendations can be made. The elements of risk must be weighed carefully against the possibilities of loss. Certain basic and elemental lines of insurance are carried as a matter of course—fire insurance and liability insurance coming first. Other lines

of insurance supplementing the lines already carried and of extreme value as a protection must be considered.

Consequences of Fires

As a case in point the manufacturing plant carries fire insurance and, if the owner is reasonable, carries *complete* fire insurance. He believes in insurance to that extent at any rate. Admitting as he does that fire insurance is essential for the plant's protection he must also admit that insurance against the consequences of fire should be carried. In addition to the actual property loss covered by complete fire insurance, a fire would shut down his plant at least temporarily. His production would stop, but many of his expenses would go on piling up—salaries of valuable employees, light, heat and power bills, interest on invested capital, to say nothing of the loss of profit. All these items would constitute an aggregate loss that is not covered by the ordinary fire insurance policy—a loss that would endanger his credit standing and, therefore, vitally interest credit executives.

To protect himself completely against the dangers of fire a manufacturer should carry use and occupancy insurance, or, as it is better termed because it pays the loss occasioned by fire interrupting the conduct of the business, business interruption insurance. In deciding upon the amount of the policy advisable, the counsel of a skilled insurance man should be secured.

Another example is the case of the owner of a business block on Main Street who with replacement costs in mind, carries fire insurance on his property but overlooks the consequences of fire to him. A fire would cause his tenants to move. Months might elapse before he could restore the buildings to rentable condition and in the meantime his rent income would have stopped. Therefore, the rent income of his building should be insured against fire too, by a rent insurance policy. His problem, like that of the manufacturer, is not merely to have insurance but to apply the protection that insurance affords so completely and efficiently that he is really protected. A credit customer without income but with mounting expenses should interest a credit manager.

Insurance companies are the first



If you needed a large awning as a protection from the sun, would you be satisfied with a small one just to save money?

to urge that insurance be used only where it is actually needed. They immediately discourage an application for insurance where it is obviously not needed. The agent would be the last to advise flood insurance where there is no flood hazard. Men come to him for advice because of his experience and ability to plan how not only to prevent losses and the wasting of premiums; he is too jealous of his reputation to recommend unnecessary insurance.

Because of this attitude on the part of agents and companies it is very unusual for anyone to have a policy that is not needed for actual protection; on the other hand every day we find some owners unprotected and unprepared.

Insurance has been built up in this country to take care of every honest loss at the lowest rate possible with safety. No disaster can be conceived, even the destruction of a large part of a great city, that could shake the stability of modern insurance. Modern business, modern progress and modern efficiency have all been built up by specialization. If a company builds fireproof factory buildings, machinery is set up to turn out parts of a fireproof building with economy and speed. All the money available to the enterprise is used to increase production, to improve methods through scientific research or to get a greater distribution. Money lost by failure to insure represents a loss to the business or to the individual in progress and stability.

The sound use for insurance is to establish as soon as possible the coverages needed to protect every phase of the enterprise beyond reasonable doubt according to the advice and experience of men who have been trained to judge such needs. When advice from well qualified sources has been given, credit managers and their customers should follow it just as the advice of a doctor should be followed until changes make other insurance necessary or reductions in coverage necessary. Insurance is an investment in protection. If the calamity never actually occurs, so much the better. But when it does occur, the more complete it is, the more sound it is, the more carefully it has been ordered; the better will

it serve the needs of the situation.

Credit has *character, capacity, and capital* as its component parts. Insurance may also be considered under the heading of three c's. The *capacity* of the credit manager to get and to impart sound insurance advice and to adhere to a policy of careful protection at all times mark him today as the executive with modern vision.

Insurance "Capital" Helps American Progress

INSURANCE funds invested in business use credit and protect credit.

The average man looks upon insurance as a means by which he safeguards himself against the dangers of fire or other loss and provides for his family after his death. Some day the complete story of insurance will be made known to the American public and when that day comes part of the story will naturally deal with the protective features of insurance. But for every page that deals with the idea of indemnity there will be whole chapters that disclose the

economic good of insurance to the Nation.

When insurance first came into existence it was designed to protect lives, property or business against financial loss in case of accident. This first purpose of insurance has never been lost sight of, but other services rendered by insurance companies in the present day are so far-reaching in their benefits that their general value almost overshadows the original purpose of insurance.

For example, a life insurance company insures the lives of its policyholders, guaranteeing a livelihood for widows and orphans, educational opportunities for children, and care in time of old age. In return premiums are received by the company which must be invested in ways that will safeguard the funds in every possible way. No speculative investments are countenanced. Money may be invested in mortgages or bonds of enterprises that are recognized as stable. In many cases these funds make possible homes for people in moderate circumstances who otherwise could not afford to own their homes. Here insurance does one

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Insurance fosters and protects all economic life, and makes Credit possible.

For the Sake of the Business

Concern's Credit Fortified by Life Insurance

By William F. Egelhofer

THE amount of life insurance a foresighted family "provider" carries is determined not entirely by the amount of his earnings, but upon the amount of protection his situation demands. Likewise a debtor merchant with a full sense of responsibility towards his business, and those more or less dependent on it—creditors, stockholders, and heirs—carries life insurance that will protect these dependents adequately.

Life insurance carried for the protection of creditors plays an important role in the credit standing of a company, and is as essential to the company as the capital itself. Corporation or co-partnership life insurance insures its equity.

The success or failure of either a co-partnership or a close corporation often depends on the energy and judgment of one individual. Such a concern may prosper and become the standard bearer in its line; but in the event of the death of such an individual, the business suffers an irreparable loss. The propelling initiative that is so important to the progress of a business is removed: the business ceases to operate profitably until the initiative can be replaced. Ofttimes it cannot be replaced at all, in which case a liquidation of the business must necessarily follow. As a going concern, its assets have a working value, but with liquidation there is considerable shrinkage.

The realizable proceeds from the sale of liquidated assets are often much less than the book value of the same assets before the demise took place. In such a forced liquidation, the shrinkage is passed on to the dependents and creditors of such a proprietorship. Death has left a wreckage in its wake when insufficient or no life insurance is carried. The business suffers as well as the estate. There are no funds readily available to make up the loss until someone is found capable of taking the place of the deceased.

Let me illustrate the effect of the absence of life insurance in a one-

Million-Dollar Life Insurance

THE many valid reasons for life insurance for the benefit of the business are discussed in this article, written by the winner of the first prize in essay contest conducted by the Casualty Information Clearing House and the "Credit Monthly." Key men and women in the business, scientific and other fields have insured their lives for vast sums,—187 Americans, according to a survey by the Spectator Company of New York, have policies for \$1,000,000 or more. Rodman Wanamaker, New York merchant, carries \$7,500,000 on his life; Babe Ruth, Dr. Frederick G. Banting who discovered insulin as a cure for diabetes, Adolph Zukor, and William Fox are insured for \$5,000,000. In the \$2,000,000 class are Clarence H. Mackay, head of the Postal Telegraph, John Barrymore, Gloria Swanson, etc. Pierre S. du Pont holds a life insurance policy for \$4,000,000; Julius Rosenwald, one for \$2,000,000.

man organization: An individual after many years of struggle built up a business that was second to none in that line. The business developed to a point where the capital employed hovered around a million dollars, which was the result of cumulative earnings. The proprietor was in his fifty-fifth year and had a son, just twenty, who was regarded as the future heir of the business. The son was learning the business rapidly and everything pointed towards his future success as the head of his father's enterprise. Although the business was a profitable one, yet it was of such a nature that considerable stock had to be carried at all times, which necessitated heavy bank loans. The moral and financial reputation of the proprietor was first-class. Finally illness overtook the

young man's father and in a few days the son was the nominal heir to the business. The firm owed considerable money to the banks and trade creditors, and the book value of the assets showed a marked and substantial equity. The banking interests held a meeting and decided that although the son showed remarkable aptitude, yet he was a minor and that from the banking point of view he could not be considered as a safe credit risk. The members of the family, who had for years enjoyed a luxurious living, had built their hopes on the possibility of the young man at some time becoming the head of the business, but Fate decided otherwise. The committee appointed by the banking and trade creditors decided that the business should be liquidated. Because the nature of the business required a large stock to be carried, that was the first to suffer in the liquidation. When the liquidation was finally completed, the equity dwindled from close to a million dollars to just about \$200,000. The business obviously could not be continued because it lacked first, the initiative and experience of an elder, and second, ready funds to reduce the banking indebtedness. A business of thirty years' development passed out of the picture.

Many times a life insurance agent had suggested that a policy be carried to the extent of say \$500,000 on the life of the proprietor, but was always met with a rebuff and the shopworn retort that life insurance means certain death. In this case its absence certainly did—death of the business. If the advice of the agent had been followed, \$500,000 additional cash would have been available to tide over the business until the son became of age and under the advice of the banks and other creditors an organization could have been effected, the business continued, and a profitable future for the company made possible.

Partnerships are often formed with the best intentioned plans, but when the death of a partner occurs,

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The Credit Fraternity and the Fight Against Arson

READERS of this graphic description of the firebug's methods may not be fully aware of the part that is being played by the National Association of Credit Men in the nation-wide campaign against arson.

Answering an S. O. S. from the National Fire Protection Association, the N. A. C. M. is co-operating in twenty states to secure the passage of a model arson law drafted by the Fire Marshal's Section of the N. F. P. A.

Members, secretaries and key legislative men of the N. A. C. M. have helped valiantly in this fight. The model law has already been enacted into law in several states, and N. F. P. A. officials are on record to the effect that the N. A. C. M. has rendered "yeoman service" in the campaign.

The Credit Protection Department of the N. A. C. M., in handling cases of fraudulent failures, is constantly meeting with instances of arson. The credit crook is often a fire-bug also.

Making a Business of Fire!

How Dishonest Merchants Collect Fire Insurance

By Thomas McIlvaine, Jr.

DURING the performance of a musical comedy in New York City, not long ago, the whistle of a hurrying fire engine penetrated the walls of the theatre; immediately the wise-cracking star of the piece exclaimed: "I don't understand that—my brother wasn't to have his fire until tomorrow."

The thoughtless audience laughed heartily, not realizing that they bear their share of every dishonest blaze set to garner insurance. As a matter of fact, the public generally has no idea how common in the larger cities of the country are gangs and so-called "arson trusts" organized for

the sole purpose of collecting insurance on fraudulent claims growing out of what might be termed "made-to-order" fires.

Each year about \$560,000,000 of material wealth goes up in smoke, and estimates from authoritative sources place the total of dishonest fire claims at from \$125,000,000 to \$200,000,000 annually, according to business conditions. There have been periods of trade depression when fully half the fires in certain lines located in New York City have been "queer."

Augmented fire losses always follow unsatisfactory business conditions, which fact supplies a grim commentary upon the moral stamina of numerous business men of America. It has been found that the rise and fall of the fire curve, as represented by annual loss totals, closely parallel the chart of commercial failures. And this seems to indicate beyond a doubt that when conditions in various industries make operations unprofitable, the process of "selling out to the insurers" at once begins. As some one once put it with revealing irony, such fires are caused by "the friction of a high value policy against a slow moving stock of goods."

Changes in style and methods of doing business are creators of "moral hazard," as underwriters term any development that makes a fire welcome to an assured. Then, too, the extension of chain stores into new territory and increase in the lines they carry, often have a blighting

effect on the sales of old, established retailers, sometimes forcing them into bankruptcy, or—if they are not honest—causing them to revert to the torch as a means of escaping financial disaster.

New roads are also a factor in the fire loss situation because by means of them residents of small towns nowadays motor to larger places to do their shopping. Protracted labor troubles in a territory may likewise bring about augmented burning.

In the popular conception of the character, the incendiary is always a low-browed creature of forbidding

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A Western storekeeper prepared in this wise to fire his premises. Accidental discovery, however, thwarted his endeavor. It was not an expert job.



In a N. Y. office, this "plant" was found. The candle (perhaps because of a draft) had gone out before burning down to the excelsior soaked with kerosene.

A Basis for Credit

A Credit Manager's Views on Casualty Insurance

By E. G. Olney

Crane Co., Spokane

WHY will a business man protect his wealth, his life, or his business against one or two very apparent hazards, and at the same time make himself just as surely liable for the possible payment of large sums of money as he would be if he had endorsed a note?

In many cases, the reason is that he does not know the comparatively low cost of securing complete protection. Sometimes he does not know that he can insure himself against the particular risk. Very often he has not been sufficiently impressed with the urgent need for the proper form of casualty insurance.

Certainly if every buyer who seeks credit knew that his casualty insurance would be carefully investigated and would have a direct bearing upon his credit limits, as well as upon the terms of sale accorded him, casualty insurance would receive the attention that it deserves.

If an automobile is burned or stolen, the only loss to the owner is the value of the machine. If the same automobile causes an accident, —no matter how careful the driver may be,—and kills or injures several people, each injury or death may require a settlement from the owner of the car.

Comparatively few owners of automobiles can pay claims for damages, ranging from \$1,000 to \$50,000, without sacrificing everything they own—even their homes. Court awards for injury or death in accidents are constantly growing larger. Suits for \$50,000 are not unusual, and awards of much larger amounts have been given in more than one case. Even the legal expense of defending a suit is more than most of us would care to pay out of our own pockets.

Every day, owners of business establishments are learning by costly experience that a personal car, business car, or truck, may cause an expensive lawsuit and possibly the payment of excessive damages as well. A used car worth only \$100 upon which very little fire and theft insur-

The Credit Manager's Responsibility

THE responsibility toward the insurance carried by the customer is stressed by a Credit Manager in this article on Casualty Insurance as a Basis for Credit, winner of the third cash prize in the contest conducted by the Casualty Information Clearing House and the CREDIT MONTHLY.

By virtue of his position, the Credit Manager's advice on insurance is more readily heeded by the customer than the arguments advanced by the insurance salesman. The necessity of educating the merchant debtor to look upon the insurance agent as an advisor is brought out in this article.

ance can be secured, may easily cause an accident that will involve the owner in a suit for several thousand dollars. The cost of liability insurance is so low that it seems unbelievable that it is not carried by the owner of every car or truck.

No Matter Who Owns the Car

In granting credit to anyone who owns a car or truck, this fact must never be overlooked: The owner of every car is accountable for the operation of the car, whether it is driven by the owner or by someone else. The wise car owner protects his credit by allowing a small premium to forestall any chance of a loss that might easily mean ruin.

The merchant is quite likely to insure his \$500 stock of merchandise against fire; but what if a customer or pedestrian falls on the walk in front of his store, and is seriously or even fatally injured? The owner in most cases, has no insurance to protect him. The responsibility of every corporation, firm or individual, for the safety of persons in or about his premises, is well recognized by law.

Millions of dollars are paid annually by property owners, in settlement of suits arising from such everyday accidents as people tripping over carpets, falling downstairs, being struck by falling objects, slipping on ice or even slipping on a good old-fashioned banana peel thoughtlessly dropped on the sidewalk.

A good example of a large award for an accident caused by a small thing, is the case in which a pedestrian slipped on a banana peel in front of a store, broke his arm and fractured his skull. The injured man was awarded \$5,000 by the Court. This is likely to happen to any merchant. If Credit Managers have any customer who would be financially embarrassed by paying out \$5,000 for an injury, let them see that the customer is properly insured against public liability.

Where State industrial insurance or some form of workmen's compensation is available, employees in hazardous positions are usually insured. If, however, a clerk, stenographer, or any employee in a non-hazardous position is injured, all too frequently the employer has no insurance to cover such an accident and must pay the cost of suit as well as whatever damages may be awarded to the injured employee. A sympathetic jury often overlooks the fact that the employee himself may have been careless.

In the United States, some person is accidentally killed every six minutes. Sickness and accidents disable no less than 30,000,000 people each year in the United States, alone. What would be the effect on the business and credit of a merchant debtor, if the owner were unable to attend to his duties for a long period? Accident, health, disability, income and similar forms of casualty insurance are vital to any "one-man" business. This fact is clear to every credit manager.

In an agricultural community, ample hail insurance may protect the accounts of local merchants and save

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The Credoscope

J. H. Tregoe

My Adventure

THE lure of adventure comes to most men. Sometimes it is felt with a great urge in the early days and for some it doesn't come until middle life has passed. I don't know what happened in the first four years of my nursery life which Dr. Adler claims is the shaper of individual attributes and destinies, but I have always sailed close to shore. Had I lived in the Fifteenth Century I should not have journeyed beyond the sight of land. Taking a headlong leap into the hazardous unknown never interested me; and so before my fourteenth year had passed, I wanted to feel the certain jingle of dollars in my own pocket. With this urge my business career began. The fear that governed this impulse was in constant turmoil with a dreamy disposition; and the fight they kept up pulled me hither and yon, but still I could never get beyond the sight of land. With this watchfulness for safety, the dreamy nature was constantly poking its finger at me in shame, and to please both one and the other of these contestants for control kept me busy and my mind often in a whirl.

My first position was obtained for me by my mother and through a period of four decades and seven years I have kept my weather eye on the shore line although I gave myself up oftentimes to dreamy contemplations. The shore line disposition kept my eyes fixed on the job in hand. I was never thinking of the unknown. I was never looking out for the bigger job. I always wanted to make my own job big—and it was marvelous what can be done with a seemingly unimportant position when there is an ambition to make it an important one. The fact that

J. H. Tregoe

retires

*from the office of
Executive Manager
of the*

**National Association of
Credit Men**

October 1, 1927

I have never been off the payroll in forty-seven years shows clearly that I was constantly keeping the shore line in view. Of this period, thirty-three years was spent in two positions. I never felt when stepping from position to position that I had left the old one in decrepit shape or was going with other than sincere regrets of those round about.

Now, after passing middle life, I am embarking on my real adventure. The shore-lines are receding. I am drifting into the great unknown, but with the confidence that I hope will be no less justified than the vision that led Columbus in his great destiny to an unknown continent. If at the end of my days when the road ends I shall have anything in which to glory, it will be the inspiring urge of the National Association of Credit Men which led me to realize that holding too closely to the shore might defeat what every man ought to enjoy—the thrill of a great adventure.

I am laying down the Executive

Manager's position conscious that the past decade and a half have marked much progress for the Association, and that it has become one of the vital organisms of American business.

There is a thrill and a sincere joy in realizing a host of friends who have clustered about me and whose assistance could ever be sought. My adventure in a new country, if successful, will bring even greater credit to the Association because it will be nothing more or less than teaching men to respect with all their might credit as the foundation of the great commerce of our Nation. I want to see this respect grow on every hand and, among those who undertake to direct credit work, the realization of its professional character and of the fact that it is no more dangerous to put an engine in the hands of a child than this pulsating dynamo of business in the hands of the inexpert.

The whole country will be the arena of my great adventure. I shall be out of sight of shore. I shall contend with new and perhaps with dangerous currents. I shall find my nursery training put to considerable stress, but my latter milestones must mark the progress of my prime and I shall hope not to shrink in the face of heavy winds and difficult obstacles. You, dear reader, have been instrumental in sending me on this adventure of my life. I thank you for it. I shall aim to redeem your confidence. I shall hope for great success for the adventure so that the basic function of business, Credit, may be better understood in all of its elements, with practical economies that will give to this dynamo the proper lubricant and keep its movements in rhythmic precision.

Though I am leaving office, we

are not separated by any means. I shall send you news of my adventure from time to time and I know your heart and good will are with me as I pull off from shore and enter upon the great unknown.

Another Word On An Old But Important Subject

THE mental machinery of some buyers is difficult to interpret when they feel at liberty to make new terms suitable to themselves, after having bought and received merchandise on mutually agreed to terms. I must admit a real amazement when a buyer, after having received merchandise on definitely agreed to terms, sends a check deducting discount some time after the discount period has expired, and, upon being pressed for the correct settlement of the invoice, offers as an explanation of his liberty that during certain months of the year collections are slow and that all of the houses he deals with realize this and so are not overcritical when checks with discounts deducted came in a little late.

The confusion of Babel would not be a circumstance to the confusion in business, if buyers after receiving goods on the stated and agreed to terms should have the liberty of re-making the terms in conformity with their convenience and defying their creditors to make them do the honest thing.

Just as a little scratch may, if unattended to, lead to a poisoning of the blood, so little scratches into the good faith of credit transactions may, if neglected, lead to pathological conditions that would play havoc with our carefully built up business structure.

There is no place for dilly-dallying with words in situations where buyers make terms to suit their own convenience after having promised to observe other terms. It isn't honest, and no excuse whatsoever or alibi of any kind can make it honest. If I take something that doesn't belong to me, by deducting discount beyond the time in which the discount was to be deducted according to agreed to terms, I am doing something that is just as bad as if I took merchandise from the shipment and claimed it to be short. In either instance, I have taken something that doesn't belong to me.

Although fighting for good faith in the treatment of credit contracts so far as they relate to discount observance may look to some like tilting at windmills, yet degrees of unfairness or dishonesty in the credit relation are difficult to mark out, and if we close our eyes to the little things, you may be sure that bigger things will sooner or later go by the board.

Against the taking of unearned discounts there should be a constant resistance, even though it may be difficult or embarrassing in the serious press of modern competition. But one concern insisting upon the right treatment of sales terms builds respect for all the rest of us, and in the long run will prove one of the best business builders for ourselves and for others.

Happily Today There is Religion in Business

IT isn't within the ordinary powers of the human mind to discern and interpret sudden changes in our social and business economies. Old ideas and old thoughts linger for a long time when new ideas and new thoughts are in vogue. Four decades ago, such a thought as religion in business would have been scoffed at when the leaders of some of our great industries were fighting with savage strength and had no respect for the Golden Rule or the brotherhood of man. One must admire the fighting capacity of these industrial pioneers and it is worth noting how strange it was that their fighting capacity made no greater headway for industry and we had to wend our way through muck and mire for a decade or more until brute strength gave way to spiritual principles and it began to be realized that men working together could make better headway and more returns for themselves than could the very strongest of them when working alone.

Too many of us regard religion as something relating entirely to the individual, something to be worn like Sunday clothes but once a week. This type of thought cannot understand any congeniality at all between religion and business. It cannot see apparently that business as a human institution reflects human motives as well as human ability, and that human motives when conscientiously

controlled and spiritually directed tend to greater satisfaction and greater success than human ability alone.

Put your finger on 1903 and mark it as the year when a new thought came to business, and when, whether unconsciously or consciously, men began to recognize that brute strength and fighting capacity was not nearly as useful an ally as strong motivating principles where men were willing to give and to receive, to cooperate and move under systematic control. The year 1903 marks the real beginning of our industrial prosperity and financial progress. We had been laying in the foundation of many decades. We had to struggle like giants in the earth, but in 1903 the superstructure was begun and business moved toward its "manifest destiny." Ability did not count for as much in this upward movement as a real religion that dominated the business relations.

Charles Dickens remarked upon the complacency with which, in the 'Forties, we regarded sharp practices in business; and until the dawning of the new day sharp practices were winked at and shrewdness often applauded with sincere admiration. But we learned that such things did not give either big or conspicuous success. There need be no astonishment at the transformation that has come to business and the fact that an important organization like the National Association of Credit Men can speak freely of spiritual power in business. The country is indebted to the valiant men who pledged the need of good faith and a high sense of honor in credit transactions, for upon these principles there rests a much larger share of America's prosperity than could be claimed by her genius or industrial abilities, great as these are.

Let no surprise be felt in any circle that this great change has come. I am offering these remarks after having discovered in one of our current and well-established magazines an article on Religion in Business in which the writer refers to a Convention of the National Association of Credit Men where this thought was stoutly emphasized. If we love our country and our country's business, we must love and be very loyal to the religion of good faith and high honor that has made the country great.

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Cheap Protection of Rents

Most Business Men Unfamiliar With Rent Insurance

By H. T. Collins

IN spite of the fact that rents insurance has an important credit bearing, little is known about it in the business world. Even bankers and credit managers are as a rule unfamiliar with it.

A young cub agent located in a large city in a building which housed only insurance agents heard about rents insurance and approached the proprietor of the building. Bear in mind that hundreds of insurance salesmen were this man's tenants. When asked if he carried such protection, the proprietor inquired, "What is rents insurance?"

Rents insurance is insurance which pays the rental income or rental value of a building during the time after a fire, when the building is being put into tenantable shape. In other words, it insures loss of rents by fire and can also be obtained against loss of rents due to windstorm, explosion, or water damage.

It does not insure loss of rents due to non-payment or anything of that sort.

In fact there are two divisions to this form of insurance. (a) One is known as rents insurance for owners of mercantile buildings and apartment houses who wish to insure their income from loss by fire or the other hazards mentioned. (b) The other is known as "rental value" and is for the man who owns and occupies his own building, such as a dwelling house owner. He may have a single house which he owns and is not renting, but if it burns up he would have to pay rental elsewhere and also continue to pay taxes and interest; and he can obtain a policy for whatever the rental value of his house is and in the event of its being burned up he would collect this rental value, during the time it was untenable.

In fact any property with a legitimate rental income which might be interrupted by fire, or tornado, earthquake and the like is eligible for rents insurance. A sign on top of a building for which the owner receives rents can be so insured providing a company can be found which will ac-

C. M., Please Note

A DESCRIPTION of the protection afforded by rents insurance is furnished by this article. It is pointed out that this is a little-known form of insurance which should be brought more generally to the attention of the business man, and especially of the Credit Manager. The rates on this type of insurance are low; the policy is in the form of an endorsement on the fire insurance policy.

cept the risk. The rental income of docks and piers can be insured. The rental income of college dormitories, and even church pew rents have been so protected.

Not Expensive

And the strangest part of this form of insurance is that it is probably the cheapest kind of insurance offered. It is written only by fire insurance companies. As the rates and the forms under which the policy is written vary the country over, no one rate can be quoted. In the East and Middle West the cost averages around 50 per cent. of the fire insurance rate on the building, although there are several different forms and the charges fluctuate up and down according to which form of protection is selected. On the Pacific Coast the rents are much higher and rents insurance is little known in that territory.

In one sense there really is no such thing as a rents policy. No special policies are printed, but the straight or ordinary fire insurance policy is endorsed to cover rents insurance. It is a form of protection which "picks up where the fire insurance policy leaves off," and is added by a rider to regulation fire insurance policies.

Some of the bigger mortgage bond houses now make it known in their circulars that their properties are protected with rents insurance so that

investors will not be subject to loss if the property suffers a fire. Any credit manager interested in the finances of a commercial building owner or of an apartment house proprietor should look into the matter of rents insurance protection.

Rents insurance in order to fit the needs properly is written in many different ways. The forms used vary somewhat according to the location of the risk. One set of forms is used in the East and a slightly different set applied in the middle West, and then again another type of form utilized on the Pacific Coast. Fundamentally, however, these forms provide the same protection.

For instance, one way in which this is written is on the "rented or vacant" form. A rents insurance policy is issued to a property owner covering the loss of rents by fire which would result "whether or not any of the property was rented at the time of the fire."

Some choose to so insure their rents on the reasoning that at the time of a fire even though an apartment or an office may be vacant and not producing rent, they would have had the opportunity nevertheless of so renting this portion, a privilege of which they would be deprived during the time the property "was not there" having been destroyed, as well as during the course of reconstructing it or putting it back into tenantable shape.

Because of a slightly lower rate generally permitted, some property owners are content to insure only the actually rented portions of their building under such a policy and in such a case if a fire occurred they would collect only for the rented portions and not the vacant.

Time to Re-build

Then these two methods of insuring rents are again subject to another choice—of writing the insurance to protect the owner for "a specific time to re-build," or on an annual rental basis. For example, the owner of the building to whom the

(Continued on page 48)

OCTOBER, 1927

21

READ YOUR POLICIES



YOU do not sign contracts which you have not read—yet—have you read your insurance policies? Possibly not, for nine out of ten don't, but—

Your Insurance Policy is a contract in which you assume certain obligations as well as the insuring company. Failure to meet these obligations might be disastrous to you in case of loss.

Scrutinize your policies and make sure that you have the insurance protection you want. Know what obligations rest with you to keep these contracts in force.

Any "America Fore" agent will be glad to go over your policies with you and explain all points not clear.

AMERICAN EAGLE FIDELITY-PHENIX
The CONTINENTAL FIRST AMERICAN
FIRE INSURANCE COMPANIES
Eighty Maiden Lane, New York, N.Y.

ERNEST STURM, CHAIRMAN OF THE BOARDS
 PAUL L. HAID, PRESIDENT

THE "AMERICA FORE" GROUP OF FIRE INSURANCE COMPANIES

When writing to advertisers, please mention the Credit Monthly

The Duke Got Disgusted

(Continued from page 9)

said, smiling.

"Yeah?" Jim smiled his reply and went out.

* * *

The newspapers said the police were baffled, when the story of the X. Y. Z. burglary was printed. They said that the eighty thousand dollars worth of material taken from the strong room had been spirited away by a gang of clever loft burglars who had pulled several similar raids.

When the police reached the store they found all locks intact, no sign of jimmied windows or doors, and all evidence of the burglary obliterated save for the hole in the ceiling. The thieves' method of egress from the building was a mystery.

Hinestein and Rosteranz, both hard hit by the severe loss, had little to say. An involuntary petition in bankruptcy was filed against them on the day of the burglary, and several of the largest creditors paid them a call. The partners' pathetic stories of their misfortune, somehow, failed

to ring true, and aroused suspicion.

The creditors formed a committee and took the case to the National Association of Credit Men. Two representatives of the Association's Credit Protection Department immediately went to work.

They found first that the Duke's workmanship, while well executed, lacked finish. In other words, the hole he had drilled in the ceiling was too small. It was impossible to put the camel through the eye of the needle. The goods taken were much too bulky to permit their passage through the aperture in the top of the vault.

Another piece of evidence that went strongly against the X. Y. Z. partners was the information, from reliable persons, that on the night before the robbery only a small quantity of material was in the store.

The investigators were convinced that the merchandise had not been stolen. The next step was tracing it.

It was found that the principal customers of the X. Y. Z. outfit had been bankrupt concerns to whom tremendous quantities of merchandise had been sold, according to the X. Y. Z. books.

Chemical tests on the books and enlarged photographs of the pages told a different story: a story of erasures and changes, of the names of insolvent firms substituted for other concerns. It was revealed that the \$80,000 worth of material had been entered as sold to non-existent houses.

The partners were sentenced to prison for a year; and as Rosteranz said to Hinestein, "Who wouldn't—for \$40,000?"

Rosteranz will be coming out soon, with his partner. They're both feeling good, looking forward with pleasure to the day of their release.

Hinestein likes to josh with Sam Accuda, his cell mate. Sam held up a cigar store in Harlem; got \$4.55 in cash and five years in prison. Hinestein held up twenty big business houses and robbed them of his half of \$80,000. He got a year.

It's just as the Duke says, "You gotta hit high to get along in this world."

Warning

An unauthorized individual is going around the country and representing himself as Mr. Long, Manager of the General Outdoor Advertising Co., Harrisburg Branch. He has in his possession some of Mr. Long's old business cards of the Thos. Cusack Co. It appears that recently in Philadelphia he reserved a number of rooms in a Hotel for a business meeting in the near future, and on the strength of this the hotel cashed a personal check for him.

Would You Lend \$10,000 Without Security?

Yet you ship a customer merchandise worth one thousand dollars, or ten thousand dollars, or more, on credit. And a credit account is "a loan of capital in the form of merchandise, *without security*."

Progressive manufacturers and jobbers all over the country have turned to

American Credit Insurance

to protect their "loans of capital in the form of merchandise." Why not provide yourself with this security for all the capital you lend in this way?

Acting as security for your loans, and speeding up the repayment of your principal, are only two of the services provided by a policy of American Credit Insurance. It will be worth your while to investigate this service in its entirety.

**The AMERICAN
CREDIT-INDemnITY Co.**
OF NEW YORK J. F. McFADDEN, PRESIDENT

Offices in All Leading Cities

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San Francisco, Philadelphia, Baltimore, Detroit,
Atlanta, Milwaukee, etc.

In Canada—Toronto, Montreal, etc.

LR-700

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OCTOBER, 1927

Addresses Wanted

AIRO, ARTHUR, painter & decorator, formerly 370 Trumbull Ave., Detroit, Mich.
BEHRENS, GEO. H., haberdashery dealer, No. Tonawanda, N. Y. (wife Lucinda, probably in Cleveland, O.)
BRODY, SAMUEL, formerly 11 Boulevard, Brookline, Pa.
BUXBAM, LEO, formerly 212 North Ashland Avenue, Chicago, Ill.
CARSON (EDW.) & KEELER (F. R.) trading as Steel Parts Co., formerly 3913 Payne Ave., Cleveland, O.
COSMOPOLITAN MERCHANDISING & ADV. CO., 7 West 22nd Street, New York City.
FUCCI, J. operated Excello Beauty Shoppe, 412 Fulton Street, Brooklyn, N. Y.
GRANET & GARENSTEIN, formerly operated store at: 127 Amsterdam Ave., 575 Tenth Ave., 317 Bowers & 495 Eighth Ave., New York City.
GRATH, GEORGE A., 9408 Vanderpool Ave., Chicago, Ill.
GREENHOUSE, S. I., 3101 Milwaukee Ave., Chicago, Ill.
HARBURGER, F. C., prop. Good Housekeeping Shop, 173 Jackson Ave., Jersey City, N. J.
HEALTHETTE, formerly at 300 W. 54th Street, New York City.
HODGES, S. T. (MRS.) OR M. C. (MRS.) formerly 428 Day Ave., Roanoke, Va.
JAFFEE, FRANK, formerly St. Anthony Hotel, San Antonio, Texas.
JONES, E. H., refrigerating engineer, 2006 Broadway, San Diego, Cal.
KALBERG, VICTOR, formerly employed by G. H. Nelson Paint Co., Omaha, Nebr.
LENER, JACOB J., The Cheese Store, 172 Lafayette Street, Schenectady, N. Y.
LYONS, JAMES J., formerly located at 4511 Wilcox Avenue, Chicago, Ill.
MCCARTNEY, PAUL J., formerly at 4724 North Western Ave., Chicago, Ill.
MICELI, ANTHONY, formerly in merchant tailoring business, 1674 Broadway, New York City.
MORENCY, E. C., 12500 Woodward Ave., Detroit, Mich. (retail shoe business.)
NOLAN, H. E., H. E. NOLAN & CO., 743 17th Street, Des Moines, Iowa.
PERRY, V. B., Holly Ridge, N. C., formerly of Wilmington, N. C.
ROSE, C. C., formerly at 404 South Clinton Street, Chicago, Ill.
RALPH, J. S., Spring Stool Mfg. Co., Sullivan, Mo.
SEGLIN, BENJAMIN, formerly conducting Roosevelt Furniture Co., 3858 West Roosevelt Road, Chicago, Ill.
SHAEFFER, M. C., Trading as Shaeffer Jly. Store, Bloomington, Ind.
SMITH, F. J., prop. Commercial Roofing & Supply Co., 8347 West Chicago Ave., Chicago, Ill.
STEINDLER, B., Model Drug Store, 456 Lenox Avenue, New York City.
SUMMEROUR, J. N., formerly of Winder, Georgia.
TWOMBLY, W. O., formerly of 2970 Sheridan Road, Chicago, Ill.
VAN BROCKLIN, DEWITT, trading as Van Motor Sales & Repair, formerly at Chester Ave. & E. 13th St., Cleveland, Ohio.
VAN METER, W., St. Joseph and Cadillac, Mich.
WEINSTEIN, SEYMOUR, formerly in retail drug business at 650 E. 105th Street, New York, N. Y.
WINE, R. H., formerly 449 Jackson Avenue, River Forest, Ill.
ZELENKO, ALEXANDER, formerly of 2290 Seventh Avenue, New York City.

Preparing a Balance Sheet for Credit Purposes

THE trend of a business today is more important for purposes of credit than its position at any given past date. Knowledge about the management of a business is extremely important. The operating statement tells the story of the trend of the business and of its management. Not a great deal of information is needed—the net sales to customers, the cost of goods sold, the expense of doing business, and the items of income or expense not connected with the ordinary operations of the business. An operating statement makes it possible to compare

businesses and to answer questions raised by the comparison of balance sheets. With these it is possible to analyze the figures."

These views were expressed recently by Geo. D. Bailey, partner of Ernst & Ernst, accountants, in a paper read before the Credit Group of the American Institute of Banking at its annual convention in Detroit.

Mr. Bailey declared that in his opinion no balance sheet is particularly valuable for credit purposes unless it may be carefully compared with the balance sheet of a previous year or several previous years.

CONVENTION PROCEEDINGS

THE COMPLETE, verbatim report of the 32nd Annual Convention, including all addresses, discussions, debates, etc., and all the Committee Reports are included in the *Proceedings of the 1927 N. A. C. M. Convention*, is now available at \$1.00 per copy by the National Association of Credit Men, One Park Avenue, New York.—Adv.



There are 420,000 owners of American Telephone and Telegraph Company stock

THE parent company of the Bell System is publicly owned and it is operated by a management spurred to constant improvement by the largest industrial research organization in the country.

Vital facts that insure safety for A. T. & T. investors:

Uninterrupted dividend record for 47 years. ¶ Earnings that provide an ample margin of safety above dividend requirements. ¶ A management recognized as far-sighted and conservative and yet progressive. ¶ An ownership averaging 91.65% of the common stock of the associated telephone companies comprising the Bell System. ¶ A business that is an integral part of the growth of the country. ¶ A research and engineering staff that insures unceasing developments and improvements in service.

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NEW YORK

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Leases—A Credit Factor

How They May Be Safeguarded

By Clarence T. Hubbard

THE margin of profit of a retailer, a restaurant owner, a beauty "shoppe"—yes, an entire printing plant, a caterer, and for that matter the whole earnings or income of an estate may be the result of a long term favorable lease, or the profitable subleasing of properties.

A banker exclaimed one day, "Oh—the Smithton's store. We extend them liberal credit. Why, they have a twenty-five year lease which alone could be sold for a handsome bonus. If they were to locate again today in the same place they would have to pay three times as much rent."

Surely a major point for the consideration of the banker, the credit manager heavily involved in floating retailers or in wholesalers, and for real estate men, property owners, lessees and business men in general is, "*What happens if the lease is cancelled by a fire?*"

It is possible to insure leasehold interest against financial loss which would occur in the event a lease is cancelled by fire and the tenant has to go elsewhere and assume higher rentals. Such insurance is known as Leasehold Value Indemnity and is entirely different from Rents Insurance, or Profits Insurance, or Use and Occupancy, which are three separate and distinctly different insurance contracts. A Leasehold policy insures a lessee against loss of his leasehold interest or profit through cancellation of his lease by fire. Evidence of such insurance may in many instances strengthen credit consideration.

Leasehold Value, for insurance and credit purposes, is defined as the "increased rental value of premises to a lessee *in excess of the rental paid by him under his lease.*" "Leasehold insurance, you see, is not insurance which protects against loss of the gross rent paid by a lessee under lease, but is insurance which indemnifies for the loss of the *excess value* of the rent over and above what is actually being paid in rent under the lease.

Let us take a specific example of a retail merchant with a long lease. Presume that you have leased a cor-

ner store for retail purposes, a very desirable location, at an annual rental of say \$8,500. You enter into a ten year lease which commences say the first of July, 1925, and expires on July 1, 1935. Before you moved in and opened up you may have thought it helpful to your business to invest a certain amount of money for interior improvements and betterments such as putting in a tile floor, adding special lighting fixtures, possibly doing over the ceiling or remodeling the display windows. Your bank loans you in knowledge of the desirable lease and the contractors extend credit to you. All of these "betterments and improvements" revert to the owner of the building at the termination of your lease. These improvements alone then would automatically increase the rental value of the premises to some extent and consequently the *leasehold value* to you.

Values Increased

Entirely aside from this, the property values surrounding your leased store may have in five years increased to an extent that if the owners of the building in which you are located were to have the opportunity of leasing your store again they could possibly demand \$15,000 a year rent instead of the \$8,500 a year rent which you have contracted for *because of a long term lease.* Some changes increase values. A new bridge joining two cities together caused property values near the new bridge to climb rapidly. The removal of a gas company to the outskirts of a city changed central property values for the better. So it goes. A well chosen and fortunate lease can represent a good profit.

If a reliable appraiser or real estate dealer can convince an experienced fire insurance company that your store premises could be rented for \$15,000 a year instead of the \$8,500 which you are paying, there would be a "leasehold interest" of \$6,500 each year. In other words, as one favorably located under a rental of \$8,500 a year because of a long term lease, you are really enjoying a profit of \$6,500 each year

in your rental overhead compared with the rental overhead anyone else would have to assume if he started in business at the same location. Furthermore you will enjoy this leasehold value or profit for the rest of the term of your lease *unless something happens to terminate the lease.* That something is "fire." A fire can give your landlord the chance to cancel. Such a cancellation can gravely affect your credit.

This form of insurance is seldom solicited or encouraged by the insurance companies, yet it is one that the credit executive should be familiar with because he may, by insisting upon such a policy, change a poor credit risk into a good one. So much depends upon the lease itself and the conditions surrounding the property. The so-called "moral hazard" is so important you do not find the insurance companies actively going after the business. They will, however, consider insuring the loss of leasehold interest by fire if the matter is referred to them with full particulars. Leasehold insurance is one of the neglected lines of fire insurance which the average insurance man himself seldom fully understands. Yet nearly every insurance company has a specialist at call somewhere who knows the policy and the proper leasehold requirements.

The first thing he will ask for is a copy of the building lease. In every lease there is a *fire clause.* Some leases are very loosely drawn in this respect and permit the building owner to cancel the lease *in the event of a fire.* This is a very dangerous lease condition and would not be insured by any reliable insurance company because if there were a favorable lease and the landlord developed a greedy spirit and desired to benefit with a higher rent under a new lease, he could take advantage of a small and almost harmless fire which would be sufficient opportunity for him to cancel the lease.

The leases which are looked upon favorably by insurance companies are those which include a fire clause requiring that 50 per cent. of the

(Continued on page 34)



"For once I was glad to see a woman cry."

Reasoning With the Mrs.

A Credit Manager Saves a One-Man-and-Wife Business

By S. K. Atz

THIS is the story of the owner of a little dry goods store located within the Metropolitan District of New York. I will sink his identity under the name of Bill Brown, so that no sharp-eyed credit manager can point his finger at anyone in particular and say "That's the bird!" Of course, every credit manager has his own private roster of Bill Browns and he may be able to save some of them from the wreckage just as this particular Bill was saved—but I anticipate!

I got acquainted with Brown very early in his business career. Soon after he opened a small one-man-and-wife dry-goods store our salesman brought in a small order from him. Investigation showed that the venture was sound and entitled to a small line of credit. Brown and his Mrs. had an instinct for buying the better kind of merchandise in a neighborhood which had practically nothing but cheap stores. It turned out that there were plenty of women in that section who were glad to stop in Brown's instead of riding to the big department stores.

Brown and his wife were pleasant sort of people. They stayed close

to the business and got along fairly well for such a small enterprise. But they had started with sufficient capital and did enough business so as to be able to meet their bills promptly when due. This was six years ago. The little dry-goods business gained in volume month after month. With the growth of the business, there was a heavier inventory. But this did not handicap payments as gross and stock kept pace with each other. The heavier stock, however, in the small store the business occupied, grew hard for Brown to handle and still harder to properly display, and at same time to wait on the trade satisfactorily.

It became evident that Brown required a larger store. He watched and an opportunity came—only two blocks away and just what he wanted. Brown moved. He now had triple the space, double the rent and still more stock. The business was larger and required more of Brown's time going into the market and buying. Mrs. Brown had a growing family to look after as well as the store. So a clerk was hired, which meant more expense. Another clerk also had to be hired to help out on Saturday and

during extra busy periods. Brown became a little slow on bills—twenty to thirty days. Nothing serious, the enterprise was still sound and showed reasonably normal growth.

Then of a sudden, two years ago, Brown began to go two and three months slow. I called in the salesman for that territory, and asked what was the matter with Brown. He couldn't explain it at all. Everything seemed to be all right as far as he could see. We talked it over and then I asked him if Brown had a car.

"Oh yes!" exclaimed the salesman suddenly, "I am quite sure he has. I think I heard some talk about it."

After this talk with our salesman I called on Brown and found out that he had, indeed, bought a car. I found him a very much distressed man. Although bills were piling up, much of Brown's money was going into gasoline, car accessories, garage bills and monthly instalments on the automobile. Brown had paid approximately \$500 down on the car and another \$200 was going out each month for deferred payments and

(Continued on page 33)

The Most Priceless Ounce of Prevention

The prevention of fire is the most striking of all instances of the value of prevention as compared with the cost of cure.

Credit men have preached the need of thorough insurance protection to safeguard credits against impairment through fire.

But better still is the need of constant AWARENESS of fire's menace to the nation's wealth. The fire that is PREVENTED will never strain credit relations.

**The WORLD
Fire and Marine
Insurance Company**



Ralph B. Ins

President

A Debtor with Temperament

(Continued from page 8)

deserved no consideration. There was also a childlike belief in the efficacy of throwing a debtor into prison. The Act to Abolish Imprisonment for Debt was not passed until 1870. A tradesman, with a bill of long standing, heard that Sheridan had paid a large gambling debt. He immediately went to the playwright with his bill, and demanded payment. When Sheridan refused, saying that he had no money, the tradesman reminded him that he had been able to pay a large gambling debt.

"But that was a debt of honor!" Sheridan exclaimed.

The quick-witted creditor immediately tossed the bill into the fire.

"Very well," he said. "Now mine is a debt of honor."

This same attitude is shown in Sheridan's plays, notably in the "School for Scandal." Here is the advice on paying bills which a friend gives to Charles Surface, the hero of the play:—

"Don't let that old blockhead persuade you to squander any of that money on old musty debts, or any such nonsense; for tradesmen, Charles, are the most exorbitant fellows."

And Charles replies, "Very true, and paying them is only encouraging them."

The way many loans were probably negotiated at the time is illustrated by Charles Surface's remarks to Mr. Premium (who is his uncle disguised as a money-lender.)

Fifty Per Cent. Interest

"Mr. Premium, the plain state of the matter is this: I am an extravagant young fellow who wants to borrow money; you I take you to be a prudent old fellow who have got money to lend. I am blockhead enough to give fifty per cent. rather than not have it; and you, I presume, are rogue enough to take a hundred if you can get it. Now Sir, you see we are acquainted at once, and may proceed to business without further ceremony."

Sheridan's greatest weakness in money matters was a desire to outwit everybody with whom he transacted business, and to use strategy when simple, open methods would have sufficed. He apparently had no

real intention of defrauding or injuring anyone, but his habit of procrastination often gave his actions that appearance. All his debts were greatly augmented by accumulated interest; several items have been found among his accounts where the interest upon a small sum had been allowed to outgrow the principal. His genuine desire to be fair and generous, however, is shown clearly in the way he was careful to keep account of and pay some debts which had run for years. At one time, while living at a country house, Sheridan contracted debts with the butchers, bakers and other tradesmen of the town, and when it was time to pay them, he had, as usual, spent the money for other things. Later he moved from this house, leaving a host of embittered creditors behind.

However, he returned in two years, and summoned the creditors, who came quickly enough, but hardly expecting to be paid with anything more tangible than witticisms and promises. But Sheridan not only produced their accounts and paid each one the amount of his bill, but he added to this the compound interest plus something more for the loss of the mercantile use of the money.

The general attitude of his friends toward Sheridan's money difficulties is shown in a story about his new boots. Sheridan appeared one day wearing a new pair of boots, which attracted the attention of everyone.

"Now, guess," said he, "how I came by these boots?"

Many guesses were hazarded, but none was correct. Sheridan had prepared a dramatic climax that brought down the house:

"No," he declared. "No, you've not hit it, nor ever will—I bought them and paid for them!"

Can You Answer This?

What is it that the Credit Manager cannot do without?

The correct answer will be found on page 29.

When writing to advertisers, please mention the Credit Monthly

A new insurance coverage of special interest

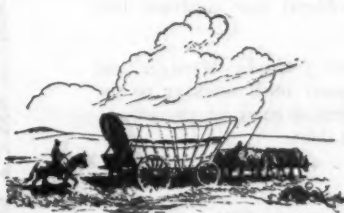
Few property owners protect their property against damage by windstorm yet losses of this nature are frequently occurring to an extent which would impair your security as mortgagee on the property.

To meet this situation we offer a blanket windstorm policy which covers on all property upon which you have loaned money and indemnifies you on any windstorm loss to the full extent that your mortgage interest is affected.

The cost of this policy is very low—10 cents per \$100 of insurance for three years. You are only required to carry insurance equal to 25 per cent of your total mortgage interest in order to collect full indemnity on an individual loss.

Many loaning institutions have already taken advantage of this protection.

Write us for additional information and recommendations to fit your requirements.



SPRINGFIELD FIRE & MARINE INSURANCE CO.
SPRINGFIELD, MASSACHUSETTS

George G. Bulkley, *President*

Inundated Merchants

(Continued from page 7)

proverbial silver lining of the cloud: Many insect pests have been destroyed, particularly cattle tick. And the rich sedimentary deposits of the Mississippi will greatly enrich the already great fertility of these lands.

What is needed is just that little glad hand that helps so much to tide over a hard situation. These people must be dealt with considerately and intelligently. *If as Credit Managers we can properly grasp this situation and extend help where justified, ex-*

ercise patience, common sense and good judgment, I am reasonably confident that very little credit loss will result in these flooded areas.

We of the far South understand these conditions because floods and overflows have been an almost annual occurrence—never of course to the extent of this one. But the same sane credit policy that has brought results in less serious situations will do so now.

In many instances no statements were sent out during the flood period. This should cause no anxiety. We must give these people a reasonable chance to recover.

Southern Arkansas and North Louisiana. Water entirely receded. Little or no industrial losses. About two-thirds of area planted after water receded. Credit situation good.

In south-east Arkansas, in and around Arkansas City, 20 to 30 per cent. merchandise saved. Water receded, but gap in levee not repaired. Practically no planting done. Little money available except through work in lumber mills and outside help. Business and collections will be poor in this section this Fall and Winter.


In the Mississippi Delta sections, overflowed around Greenville. Some cotton planted and small crop will be made if not interrupted by early frost. Not much corn, but liberal planting of Soy Beans and hay for fodder, and some truck.

In Northeast Louisiana around Lake Providence and Tallulah expect about 50 per cent. cotton crop, if not interrupted by early frost. Better prices now prevailing, will assist in offsetting shortage. Fodder crops, Soy Beans, small amount of corn and some truck planted.

In the Louisiana Sugar Bowl, viz.: Point Coupee, Avoyelles, and St. Landry parishes. Not much sugar or cotton planted. People will depend on truck, fodder crops and money available through rebuilding of roads, bridges, and restoration of property, fishing, hunting, and moss gathering.

Answer Promptly!

AN article on better business letters in a recent issue of *The Outlook* declares promptness to be one of the fundamentals of business-letter writing. "Promptness in correspondence is one of the best of credit and business builders." In this slogan the National Association of Credit Men has given recognition to one of the fundamental principles of business-letter writing. Many firms require that all letters must be acknowledged on the day they are received, whether or not final answer can be made at that time. This requirement is based on an understanding of a fact of human nature, namely, that every person likes to receive immediate attention. Delay is, of course, preferable to hastily constructed letters which fail to accomplish their purpose and endanger the future welfare of the business."



Stand Behind the CREDIT MANAGER

THIS, a CREDIT INSURANCE Policy of the "London" Company does.

It increases his value to those to whom he is responsible.

"London Service" removes the burden of handling slow and insolvent accounts from the Credit Manager, thus enabling him to devote his time to constructive work or new problems that confront him daily.

A partnership composed of a Credit Manager and the Credit Insurance Company both working to the same end is ideal and eliminates most of the uncertainty as to losses from bad debts.

LONDON

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Head Office: 55 Fifth Avenue, New York City

Oliver J. Matthews, Mgr. Credit Insurance Dept.
C. M. Berger, United States Manager

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The Laws have changed in many States in the last year and the Manual has been *completely revised*.

Be sure to get your copy!

*Only a limited Edition will be printed
Ready for distribution December 1.*

Place your order early as there will be *positively no Second Edition*.

Price, Postpaid, \$4.00

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One Park Avenue **New York**

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SOUND business practice has demanded credit insurance — not to take the place of the credit man but to protect him and his firm against losses which could not reasonably have been anticipated when credit was extended.

Ask our agent in your city to explain the advantages of Credit Insurance

United States Fidelity and Guaranty Company

BALTIMORE, MARYLAND

Over 7,500 Branches and Agencies in United States and Canada

Three C's of Insurance

(Continued from page 13)

thing more than safeguard the interests of its policyholders, it makes lives more livable because of the homes it makes possible.

With the steady increase in population the number of policyholders is constantly increasing. The funds placed at the disposal of the companies have made them huge investors of capital. The proper investment of these funds does much towards maintaining the prosperity of the country.

The funds invested by insurance companies in industries, in railroads, in public utilities, in companies providing communication or transportation helps America to progress and provides occupation for thousands.

Fire and casualty companies must always have sums of money available with which to pay losses: their investments in high grade bonds or stocks of leading enterprises make it possible to have the necessary ready money in times of catastrophe.

Companies Must Prevent Losses

There is a broader interpretation of the field of insurance today than the mere indemnifying after loss has been sustained. The companies must not only indemnify after loss but, as far as possible, prevent losses. A striking example of this may be found in liability insurance on elevators. The public may rightly demand that insurance companies not only guarantee to pay for damages when an elevator breaks, but also take precautions against the elevator's breaking. Insurance companies, appreciating that this is a sane viewpoint, now engage experienced engineers to examine every inch of elevator equipment at frequent intervals. The company pays damages should there be a loss, but the insurance engineering service virtually guarantees that there will be no losses.

Likewise, life insurance companies work to prolong life and through their many agencies have contributed greatly to the health of the people. Several big companies provide their

own doctors and nursing services. Thousands of dollars are spent yearly in giving health lessons, practical exercises, courses in diet and cures for diseases, and in suggesting habits of health. It is impossible to measure the good they have accomplished, but it is acknowledged that already mortality has been reduced and the average life prolonged.

Fire insurance companies seek to prevent losses by fire, and casualty companies to prevent accidents. They point out many dangers and show how lives may be saved and accidents avoided, and invest enormous sums every year in this service. Fire insurance engineers suggest changes that will prevent or retard fires, a service that is of far more importance to the Nation than a mere passive payment of losses. In modern industrial America fire losses stop production not only in the plant in which they occur, but, because of the interlocking of industries, many other plants are compelled to retard production until the slack caused by the fire is restored by a return to normal condition.

A large part of this work of insurance companies is a public service of which only a small percentage can produce a direct financial return to the companies sponsoring it; but by the very nature of their business, insurance companies are well fitted to perform this service and undertake it in the interest of public welfare.

Credit depends to a great extent on insurance. Insurance protects credit and through the investment of insurance funds many industries prosper and progress, becoming users of credit. Insurance is all-important to American economic life and essential to the stability of the Nation.

Credit in a Family

"ONE thing I have learned in the granting of credit is that it is not safe to think of a family as an entity but as a group of individuals. Where there is often one large family, the men of which are equally responsible and industrious there is another where of two brothers one is the ideal customer, the other the most plausible trifter you can imagine," says Josephine Linscott (in the *Banker's Monthly*), cashier-manager of the Mound Valley State Bank, Kans.

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Making a Business of Fire

(Continued from page 15)

aspect who slinks along the shady side of the street as inconspicuously as possible between his jobs of applying the torch. In truth, incendiaries are found in all walks of life, from the financier to the fish monger and from the titled to the toiler.

As this is written, a wealthy manufacturer of a food product whose habitat is the northern part of New York State, has just been indicted as the instigator of a fire that partly destroyed his extensive factory.

Usually, master minds of this class have a "torch" do the actual setting of the blaze for a fixed sum or for a percentage of the insurance "profits."

There was a man living in New Jersey who made a profession of setting fires on a commission basis. The case that led him into the penitentiary, after a long career of criminal endeavor, involved a manufacturing plant that had been shut down because of slack business.

The man, who may be called Luoco, saw that the place was idle and suggested in a letter to the superintendent that advantage should be taken of the insurance coverage on the factory. Strangely enough, the man put his proposal on paper and signed the alias he was using at the time.

He wrote, in part:

I wish to communicate with you in a secret way. If my questions are not agreeable with your views and desires, I wish and ask you to answer me no and forget everything.

The works at . . . owned by your co. are closed and idle. . . .

I wish to ask you if you have the said building insured high enough that would pay you well enough and stop paying the necessary expenses by having same sold as I call it (in the air).

Should you agree to this, then please let me know and I know we will come to satisfactory terms, etc.

The owners, as it happened, were honest, although non-prosperous, and promptly got in touch with the authorities. A detective—John Craddock—was assigned to the case and began his work by impersonating an officer of the manufacturing company. He exchanged correspondence with Luoco and eventually met him by appointment at a large Newark hotel where he had engaged a room.

Luoco was found to be a stocky, dark-complexioned foreigner, red-

nosed and unkempt. To allay any suspicions that he might have, Craddock expressed skepticism regarding Luoco's ability to burn the factory without getting into trouble with the police or the underwriters.

Stung by this lack of confidence in his professional skill, Luoco declared that he used only a pyretic of his own concoction (which he affectionately termed his "medicine") and actually gave the heads of two Polish families as references. Calling on these people with Luoco, Craddock was assured that the man had staged successful performances for them and

could be trusted to "do good job." Later Craddock was shown a jug containing the fire-breeding "medicine" and it was demonstrated that it would burn viciously on even a bare cement floor.

An Advance Fee

Craddock led the other on, after paying a requested advance fee of \$50, and arranged with him to burn the factory on a certain night about two weeks ahead, the plan being to catch him red-handed. But Luoco did not keep his appointment. In-

(Continued on page 36)



Meeting the Growing Needs of Business

TO KEEP PACE with the rapid expansion of industry, business requires ever greater and more comprehensive banking facilities.

These larger requirements are adequately met by the American Exchange Irving Trust Company. The following comments recently were received by our Out-of-Town Office:

"The service you are giving us is very complete and satisfactory. It leaves nothing to be desired."

"The handling of our account with you is and always has been entirely satisfactory."

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AMERICAN EXCHANGE
IRVING TRUST COMPANY

Woolworth Building, New York

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FIRE INSURANCE

IN spite of efficient motorized fire departments—improved fire fighting devices—and approved fire alarm systems, nearly \$500,000,000 in property values was destroyed last year by fire.

Fire Insurance does not depend upon the speed of the engines—the efficiency of the equipment or the accuracy of the alarm system—but upon the millions of resources set aside for the payment of its just claims.

Adequate fire insurance is the only protection available to property owners against the unexpected disaster which uninsured, might mean financial ruin.

Fire Prevention
Week—Oct. 9-15.

Fire Prevention Week offers an unusual opportunity for Credit Men to safeguard credit with complete insurance protection.

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Reasoning With the Mrs.

(Continued from page 25)

upkeep. The cash resources of the business were being rapidly drained to pay for the car. The business was not big enough to stand it.

Brown tried to justify the purchase on the ground that he used it in his business, that he went into New York to collect goods with it.

But I pointed out that he could make quicker time on the subway for ten cents, that all his goods were delivered to him free, inside of twenty-four hours, and that if he could use the mails and telephone it would be still quicker and cheaper for him. Especially, in a store of his type where most of the ordering was in staple merchandise and in merely filling in sizes. He agreed with me.

But then he spoke to me of the health and pleasures of his family. I asked him where the health and welfare of the family would be in another year if his creditors were forced to close him up and take his business away from him. I asked him if he would then have any pleasures to give his family. He paled and shivered a little at the dismal prospect, not at all exaggerated, which I painted for him.

Finally he threw up his hands in despair and blurted out, "Well, go talk to the Mrs., she had to have a car because that fat butcher's woman across the street has got one. I listened to her, I wanted to give her pleasure. She works hard in the store, but I didn't know what it would cost me. It's terrible, please go and tell her. We are being ruined!"

Talking to the Mrs. was no easy task. It had become socially essential to her to have a car, because a few of the neighbors had cars, and her heretofore good judgment was beclouded by envy of them. Didn't she have as good a business as Mrs. Smith, the butcher and Green, the grocer? I pointed out to her that I knew nothing of the affairs of her neighbors, but that I did know that Brown was rapidly reaching a stage where he would have to be sued by his creditors for payment and would eventually lose his business if he and his wife kept on taking \$200 a month out of their business for their car.

I showed her that they would take out of the business in that one year approximately \$2000—the cost and

upkeep and general operating expense in connection with the car—and that, together with their greater overhead and heavier stock in the new store, would put them hopelessly and irretrievably in debt at the end of the year. I warned her that they would lose their credit standing in the trade, that they would no longer be able to buy the class of merchandise on which they had built their business success, and that without such merchandise they would eventually lose the better class of their customers as well.

This true picture I painted for Mrs. Brown had her thoroughly scared and she began to cry. I then mentioned her growing children and asked her if she wanted to bring them up in poverty and want. She cried some more. For once I was glad to see a woman cry. Then, with tear stained face, she asked, "What can we do? What can we do?"

"Now, Mrs. Brown," I asked her, "do you really want to save yourself and your business and your family's future?" She said she did.

"Then the first thing you must do is to give up your car and take your loss. Then take stock of your business and see where you stand and after that there will probably be a way found so that you can continue and catch up again."

Mr. Brown was then called in and it was agreed that the car would be immediately salvaged for what it would bring. It brought nothing because there was still too much due on it. A bad bargain well rid of.

The rest of the story is merely a matter of time, patience and forbearance. Brown is perfectly solvent, but in a bad hole. He is climbing out, however. If he had held onto that car another six months he would have been insolvent, buried in the hole, with the car on top of him, holding him permanently down. But Brown and his wife fortunately listened to reason. Many of the Browns are stubborn and will listen to nothing except the rough and brutal remarks of the Sheriff, when he sticks a notice on the front door.

However, the credit manager who patiently tries to untangle the affairs of such debtor merchants, is well repaid by those he manages to save from bankruptcy and keeps as good customers for his house.



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One operation writes both the amount and protects the payee name. This is done automatically and mechanically.

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Leases—A Credit Factor

(Continued from page 24)

property must be destroyed by fire before the lease can be cancelled—in some instances even 75 per cent. must be destroyed before the lease can be cancelled.

Following are some of the "fire clauses" found in ordinary building leases:

If fire occurs on the premises, the owner of the building may have the opportunity of terminating the lease.

If the building is damaged by fire to the extent of 10 per cent., the lease

is automatically terminated, or the landlord has the option of terminating it.

If the premises are rendered untenable by fire the lease is cancelled.

If the building shall be so damaged that the landlord shall decide not to repair, the lease may be terminated.

If the building shall be so damaged that the landlord shall decide to rebuild, the lease may be terminated.

In addition to leasehold "interest" the result of a favorable long term contract there is also leasehold "profit." For example, a retailer may lease an entire building and then sublet the space he does not use himself to other stores and offices. If the

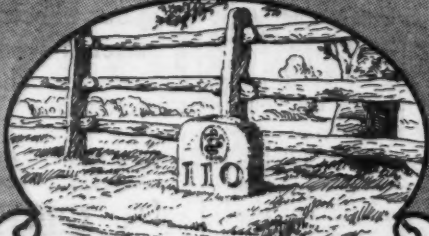
total annual rental of the entire property paid by him under lease is \$25,000, and the income of his rents through sub-leasing is \$35,000, his leasehold "profit" is \$10,000, the difference between the rent paid by him under lease and the actual rental received from the premises. Add to this the "leasehold value" of the part of the premises he occupies himself, —say \$3,000 a year, because he paid under a lease \$5,000 for the portion he occupies, whereas if he had to rent year by year it would be \$8,000 —and then multiply this total amount of \$13,000 by the number of years the lease has to run and there is a "leasehold profit" which if not insured can be lost overnight if the quarters are cancelled by a fire occurring in the building in accordance with the conditions of the lease.

Then there are "leasehold bonuses" to consider. A lessee might find it necessary to retire personally from business, or to move to another city, but has a very desirable lease on his hands. This lease, as a rule, can be sold for a bonus, and such a leasehold bonus can be insured. This is important to know for if a merchant ever finds himself in such a position he can better sell the lease by making known the insurable qualities of it to the purchaser.

Assume that a merchant has to move to a different climate and that he is paying an annual rent of \$20,000 for a location under a lease which has three years to run. Some other business man desires to purchase the lease and offers to pay a \$15,000 bonus for it. If after one year a fire occurred and the lease were voided, only \$5,000 of the bonus would have been earned and the purchaser of the lease would be out \$10,000! If uninsured the loss is to be reckoned as an important credit factor.

One feature which should be understood if leasehold insurance of any kind is taken out is the discount feature. It is incorporated in the policy for an important reason. If a fire occurred which voided a lease three years before its termination and the leasehold value for that three years was \$10,000, the insurance company would not pay the full \$10,000. If the lease were to continue normally and were not interrupted by fire the lessee would not have enjoyed his \$10,000 profit all at once but it would accrue each year. If the insurance company paid \$10,000

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ALL CLASSES OF FIRE AND CASUALTY INSURANCE

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OCTOBER, 1927

35

he could invest it at 4 per cent. and make money on the loss funds collected which without insurance would be impossible. So through the discount requirement he is paid the \$10,000 less the interest compounded at 4 per cent. in the East, and 6 per cent. in the West.


The amount of the leasehold value is reduced automatically from day to day throughout the term of the policy, because the amount of leasehold value or profit decreases each day as the termination of the lease approaches. The rates for leasehold insurance are based on the construction of the building. If it is a fire-proof building the rate for leasehold value insurance might be somewhere around 30 per cent. of the fire building rate. If the fire clause gives the option to cancel in the event of a 25 per cent. damage from fire, a credit of 10 per cent. is allowed; with 50 per cent. damage required, a reduction of 25 per cent. in the rate is permitted; a 75 per cent. fire damage stipulation brings a reduction of 50 per cent. in the cost. The premium is arrived at by figuring the average amount at risk in taking the leasehold value at the commencement of the policy, adding the value at the termination of the policy, then dividing by two and multiplying the average amount by the rate of insurance per \$100—usually somewhere near the building rate.

To show how far some men will protect their interests, in Los Angeles recently some stores having very desirable leases on the first floor of a building in which an athletic club was located feared that the tank in the swimming quarters of the club on the sixth floor might break and the water damage might cause the merchants to lose their quarters, as the lease stated that "in the event of water damage which made the store untenable for a period of ninety days," the lease could be cancelled. So they insured their leasehold interest against water damage.

If one occupies premises which have deteriorated or declined because of depreciating values he cannot obtain leasehold interest. If one has a desirable and attractive location under a favorable lease, he should look into the "fire clause" feature whether he insures it or not. An alert credit manager, inquiring into this feature, may be able to do constructive work in dealing with a merchant debtor.

*Only those whose signatures
are unimportant can afford
to be careless in buying ink*

Only



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Has Stood the Test for
70 YEARS

Linked Hand in Hand

Stock Fire Insurance and Commercial Credit

Proper selection of substantial indemnity is just as essential as careful extension of credit. An undisputed basis of credit is furnished through—

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A definite, detailed explanation based upon a wide variety of case illustrations taken out of the author's wide experience. It prepares you to take any balance sheet, whether in good form or not and read out of it the condition of the business and the policies on which it operates. In a companion volume, *How to Read a Profit and Loss Statement*, Mr. Stockwell explains, by the same practical case method the way to discover the actual operating conditions reflected in all kinds of P. & L. statements. You need these books. See them and judge for yourself. The form below will bring one or both for examination.

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Making a Business of Fire

(Continued from page 31)

stead, he dropped out of sight and it was feared that he had decamped or decided to turn the trick on his own schedule. In the circumstance it was necessary to assign two other operatives to keep the factory under surveillance night and day.

They indulged in considerable watchful waiting, spending long nights in the underbrush that surrounded the factory, on one occasion being wet by a sudden rain as thoroughly as a movie comedian. At last, however, Luoco and a Polish watchman at the mill, who had been "fixed," were pounced upon with the lighted matches in their hands, after Craddock, who was there, and the other detectives had nervously followed the preparation of an elaborate "plant" of "medicine" and wicking. The thorough, workmanlike arrangements had required more than three hours.

Luoco and the watchman were somewhat bruised in the melee that featured their capture, and were also much hurt at the way Craddock had

deceived them.

Often there are humorous aspects to arson cases. A merchant in a town near New York City "had a fire" one night, to cite an example, and after the firemen had done their bit the proprietor of the store appeared and inquired excitedly: "What happened? What happened?"

The fire chief told him and then added: "Where were you when the fire started?"

"I was visiting my daughter and son-in-law in the next block," the man replied.

"If that's the case," insisted the chief, "how did you singe your beard?"

Not finding a ready answer for this personal question, the storekeeper was booked for the hoosegow.

On many occasions, chance has played a prominent part in bringing fire-bugs to justice and a most unusual example is furnished by an instance that occurred not long ago in a small Connecticut town. A New York business man owned a heavily insured factory in the village, and when the sales of the enterprise persisted in showing a loss, he engaged a group of Manhattan gangsters to touch off the place. The fire was set at about seven o'clock on a summer's evening, after the employees had left for their homes.

The gangsters arrived on the scene in a touring car bearing a New York license tag, and they left it standing a short distance from the factory. In it they made a quick escape after the flames were started, in accordance with their plans, but on that day the stars were working against the criminals.

It chanced that living not far from where the motor car was parked, there was a New York woman who was separated from her husband. Thinking that her mate had come to spy upon her, or perhaps to kidnap their child, she sent a little boy to make a note of the license number. He did so, writing it on the curb. It was through the following of this clue that the gangsters were eventually apprehended and persuaded to give evidence against the owner of the factory. The latter employed eminent, high-priced counsel at great expense, but nevertheless was in the end convicted and sent to jail.

Men of this type look upon insurance coverage as a means of profit, not indemnification for loss. They always over-insure and often remove

Nationalize Your Credits

The credit man finds Credit Insurance the greatest single safeguard available in complicated credit matters. After the goods have been shipped there are a great many things beyond the control of the wholesaler or merchant selling the goods as well as of the buyer. It is not possible for the credit man or department to anticipate such disasters. There is no known way of guarding against repercussions of catastrophes in allied lines which often carry innocent firms down with them.

A National Policy of Credit Insurance is the guarantee of the World's Largest Surety Company to prevent, else pay, all abnormal credit losses.

Write for details of our Credit Insurance Policies

National Surety Company

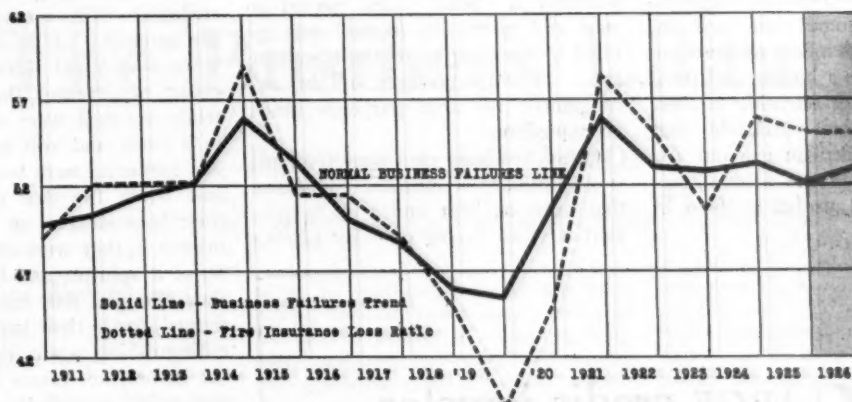
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HOPE?

HERE is the Glens Falls Arson Chart brought up to the end of 1926. For the first time in sixteen years it shows a decrease in the Fire Insurance Loss Ratio—although a very slight one—*simultaneously with an increase in the Business Failures Trend.*

What does this signify? Does it justify a glimmering of hope that the shocking correspondence between these two sets of figures may at last be beginning to wane? Here is a question of great importance to underwriters, credit men and the American public for it concerns criminal operations amounting to *hundreds of thousands of dollars a day!*

Next year's chart will now be awaited eagerly and optimism should be restrained

until it appears; nevertheless, the proved value of the Model Arson Law in Georgia and New Jersey and its recent adoption in nine other states, give some basis for hoping that society is at last beginning to gain ground against that peculiarly vicious and dangerous form of crime—*Arson.*

In the July issue of "Safeguarding America Against Fire" the National Board of Fire Underwriters writes editorially:

"... The man who stoops to the torch would stoop, without hesitation, to murder of the foulest kind. ... Since pity, or any of the finer human attributes, is foreign to his nature, so—always within due process of law—must pity be absent from his treatment when he is caught and brought to justice...."

The Glens Falls Insurance Company and its army of splendid agents will always be found in the forefront of this war of public defense.

"Old and Tried"

Glens Falls

INSURANCE COMPANY
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stocks of goods before starting a fire, so as to play both ends against the middle. Often, too, they arrange a crooked failure and defraud their creditors.

It has been noticed by the investigators of the underwriting organizations that for some time past the morally oblique members of the community who make a business of fires, are becoming more scientific in their methods. It seems probable that many of them keep an eye out for the latest things in the field of science that may be useful to them in their profession.

A few months ago, an arson clique was apprehended in California where it had been operating for some time. A scientific member of the coterie, who evidently scorned the old-fashioned candle, devised a method whereby a "plant" (the set-up to start and spread the flames) was ignited by the ringing of the telephone bell. The convenience of this arrangement for alibi purposes needs no exposition!

Other fire-bugs employed for ignition purposes a metallic substance that must be kept under oil to prevent it from flaring up. By placing

a nugget of this chemical near inflammable material, the torch has an opportunity to make himself scarce before it dries and bursts into flame.

Another ingenious crook uses a substance that ignites when water strikes it. This method first came to the attention of arson investigators when a fire chief reported a most peculiar occurrence that took place while his men were attacking a fire in a cloak and suit house. Numerous garments were hanging on racks, and when the fire fighters turned their hose streams on the clothing to protect it, they were astounded to observe it splutter and burn. At first they thought they must be "seeing things" for in their ken water was an extinguishing agent that should put out flames, not create them. An investigation revealed pockets of the coats and suits filled with the chemicals mentioned, the obvious intent being to nullify the efforts of the firemen.

To the honest business men who are, of course, in the great majority, instigators or setters of criminal fires constitute a real problem since insurance rates are based on losses, and incendiarism is such an important factor in piling up claims for indemnity. In addition, the shifty business neighbor who is likely at any time to apply the torch to his store or factory, is a standing menace to life, property and production.

Short Credits—Long Friends

THE president of a casualty company writes his agents thus:

Without CREDIT, business would collapse — without INSURANCE, credit would collapse. Therefore, insurance is at the very base of our national growth and prosperity.

But don't forget that this foundational institution of insurance rests upon *prompt premium collections*, without which there could not be sound assets, dependable protection, prompt claim settlements, or efficient administration. . . .

Policyholders who persistently fail to pay premiums due within sixty days must be regarded as questionable financial risks. They should be so regarded by our agents because there is no profit in *delinquent accounts*. . . .

Overdue premiums mean poor selection of risks, or laxity of collection effort. The only remedy for the first situation is policy cancellation, and the only way to correct the second situation is agency cancellation. . . .

The saying "Short credits make long friends," applies with particular force to insurance. Apply it courageously to your own writings and you can look for an immediate shrinkage in your collection troubles.

A LARGE credit jeweler said, the other day,

"I would as soon do without my cash register as part with the City Directory."

How you feel about it depends on how much you use it.

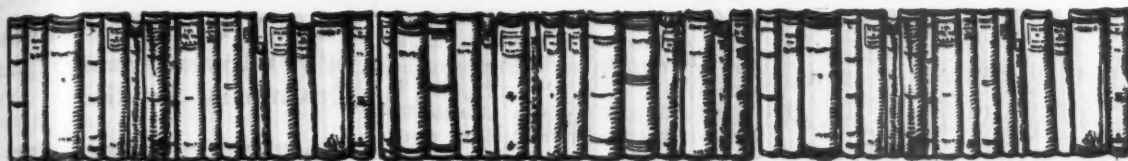


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The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

A Problem Well Stated

BUSINESS CYCLES: THE PROBLEM AND ITS SETTING. Wesley C. Mitchell. National Bureau of Economic Research, Inc., N. Y. 1927. 489 pp. \$6.50.

The name of Dr. Mitchell has been so closely bound up with the study of the business cycle in the United States that one can scarcely think of one without reference to the other. The famous quarto published in 1913, for ten years or more out of print but never out of the minds of students of economics, is now to be replaced by a series of books,—possibly a trilogy,—of which this is the first volume. In a sense this book, around which discussion of the business cycle is bound to center for some years to come, is a collaboration. In the collection of the materials on which the generalizations are based Dr. Mitchell has had the assistance of other members of the staff of the National Bureau of Economic Research. And the manuscript has been examined, before publication in book form, by the distinguished economists, educators, and business executives who constitute the Board of Directors of the Bureau.

Dr. Edwin F. Gay, co-director with Dr. Mitchell of the Bureau's research staff, explains in a brief Foreword that the Bureau had already, in 1921, requested Dr. Mitchell to undertake a comprehensive analysis of business cycles, when Mr. Hoover turned to it for aid in the work of the President's Commission on Unemployment. The staff of the National Bureau, under Dr. Mitchell's direction, seeing an opportunity for real service in the dissemination of knowledge pertinent to the mitigation of business cycles, produced the report "Business Cycles and Unemployment," issued as volume IV of the National Bureau's publications. Dr. Mitchell and his co-workers returned at once to the more laborious effort of producing the analysis of business cycles which has brought out the present volume, to be followed by others.

The work is divided into five parts. Chapter I covers a Plan of Attack, a summary of the problem with which the one who assails the business cycle finds himself

faced, the solutions already brought forth, and an admirably comprehensive review of the current theories of crises, covering every step from the simple "over-production—under-consumption" theory to the "emotional factor in business decisions." In stating plans for further work, there is put forth a classification of these theories, grouping them under the heads of "Theories which trace business cycles to physical processes," "emotional processes," and "institutional processes." The physical and emotional factors being conceded to be fairly beyond the control of men, it is on the theories classed under *institutional* that attention is focused. Chapter II considers the economic processes involved; monetary mechanism, price system, international differences, and the flow of money payments. On page 157 the reader will find this statement: "The most active role in determining what use shall be made of the country's resources, industrial equipment, investment funds, brain and brawn is played by business men,"—which will give the lie to the rock-bound "practical man" who has no use for economic theorists inasmuch as he feels that they are not dealing with the most important business factor, namely, himself. Chapters III and IV comprise the statistical basis of the work. Here again is evinced the most careful and precise verification of material, and the graphic presentation of this material by tabulation, together with directions for its use, should be of great value to those who will carry on the work in the future. Chapter V, "Results and Plans", checks up on the work already done, and sketches the scope of the problem remaining, as well as pointing out lines of approach.

The impression given by the work is monumental, without the fatal tediousness and pedantry usually implied by that term. It has neglected no source of information, and has copious references in its footnotes and addenda. It is a mine of information for the students of the subject, and to the business man it offers, as a whole, a dependable analysis of his problem of crises caused by rhythmical activity. In the fifth and final chapter, "Results and Plans", is sketched for him the work on the problem

to be done, not by this group of men, who can hope only to begin the work, but by future generations, in seeking to understand the cause of complex recurrent fluctuations and to provide a solution of the problem.

The business world owes a lively gratitude to Dr. Mitchell and to the National Bureau of Economic Research for a scientific analysis of this major problem, the business cycle, and can place implicit faith in the conclusions of such thoroughgoing scholars and craftsmen.

Economics in Tabloid

DESCRIPTIVE ECONOMICS. R. A. Lehfeldt. Oxford University Press, American Branch, N. Y., 1927. 112 pp. \$1.

This is a new unit in the series known as "The World's Manuals," and is from the pen of the author of "Money," which was reviewed in this Department of the CREDIT MONTHLY in the issue of August, 1926. Dr. Lehfeldt is professor of economics in the University of Witwatersrand, located at Johannesburg, South Africa.

A treatment of economics limited to about a hundred pages cannot, of course, be exhaustive. Neither is it likely to be exhausting, as some of the ponderous tomes on economics have proved to be. The fact is that Dr. Lehfeldt has produced something that will be welcomed by many business and professional men and women,—an economic primer that is big enough to cover the essentials of the subject adequately, and yet small enough to carry comfortably in one's coat pocket.

The directness and simplicity of the treatment are admirable. Economics is defined as the science that deals with the way in which people earn their living, and the way in which they spend their earnings. It does not presume to go into the details which are of immediate interest to the individual in conducting his own affairs, but is rather concerned with the public or social aspects of earning and spending.

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This little book is exactly what the doctor should order for the business executive who thinks of economics as something vague, theoretical and entirely out of step with things as they are. It will help him to understand that since he is, as a matter of fact, practicing economics in most of his waking hours, he can make no mistake in giving a little thoughtful study to the basic principles of the subject.

For the Welfare of Nations

HARMONY BETWEEN LABOR AND CAPITAL. Oscar Newfang. G. P. Putnam's Sons, N. Y. 1927. 238 pp. \$3.

The caption for this review represents the author's own conviction in regard to his theme, inasmuch as "An Essay on the Welfare of Nations" is the sub-title of the book. Mr. Newfang is already known to many readers of the CREDIT MONTHLY as author of "The Road to World Peace" and also through his connection with the Julius Forstmann Corporation, active supporters of the Association's Credit Protection Fund.

Industrial warfare, says Mr. Newfang, is, next to international war, the most widespread and destructive cause of disturbance to the welfare of nations. He sees it as completely destroying responsible government in two of the great nations of Europe and establishing therein the dictatorship of a minority. In all the other commercial countries, he submits, the effect of industrial strife has been extremely disturbing and destructive to the economic welfare of the average citizen and of the entire nation. The recent general strike in England is cited as only an exceptionally severe example of the destructiveness of the continuing antagonism and strife between labor and capital in all industrial countries.

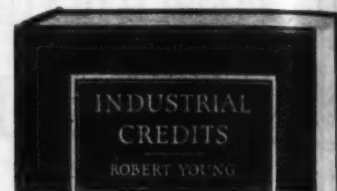
In "Harmony between Capital and Labor" Mr. Newfang attempts to lay bare the underlying causes of this strife and to present a solution of the problem. His plan is based on the drawing-account wage, which he characterizes as a new application of the partnership principle to industry. Under this plan the workers would have a preliminary wage comparable to the drawing-account of partners in a co-partnership. Then, at the end of a fiscal period, a fair dividend would be allowed to capital and the remaining earnings be allotted to the workers (including managerial as well as manual), pro rata according to the grades established in the preliminary salary or wage schedules.

Free competition would establish the preliminary schedules, but under this plan the final earnings of the workers would be whatever they could make the business earn beyond a reasonable payment for the use of capital. The plan will strike some readers as being rather complicated, but the

(Continued on page 42)

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author has an answer ready for them, to the effect that the problem itself is complicated and no simple answer will suffice.

As for results, Mr. Newfang believes that the plan would make capital and labor pull together for the greatest possible profits. Capital would strive to widen the margin of safety for its dividends. Labor would endeavor to increase its final earnings. There would follow, the author contends, permanent industrial peace, steady employment, a wider distribution of wealth and enhanced welfare for all.

As to the desirability of these results, there can be no debate. There will be, of course, open opposition to the plan by those who distrust any application of the profit-sharing principle to industry. But Mr. Newfang has presented his ideas attractively and without violence, and his readers will constitute an interested if not a unanimously approving audience.

Agriculture and the Business Cycle

INDUSTRIAL PROSPERITY AND THE FARMER. Russell C. Engberg. The Macmillan Co., N. Y. 286 pp. \$2.50.

The Institute of Economics under the energetic direction of Dr. Harold G. Moulton continues to report the results of its investigation of vital economic problems. In this volume Mr. Engberg, with the assistance of the Institute's Council and Staff, analyzes the effect of fluctuations in general business upon the fortunes of the farmer.

That the farmer needs help is as plain as the sun-burned nose on the farmer's face. Many plans for giving it to him have been devised, some based on economic principles and some hopelessly inane. This book probably represents the first serious attempt to tie the farmer up to the business cycle, and to discover whether economic analysis, and possibly even forecasting, might permit him, by better knowledge of changing business influences, to prevent or at least lessen the effects of sudden shifts from boom to depression.

In the body of the book the author discusses this question as applicable to agriculture as a whole. Following this general discussion are three special statistical chapters, presenting the supporting material which was assembled in a survey of three of the outstanding branches of agriculture,—cotton, hogs and wheat.

Mr. Engberg's conclusions are logically reached and clearly stated. He says that the fluctuations in domestic business conditions are not demonstrably the cause of agricultural depressions. The demand for food and even clothing materials does not vary sufficiently from industrial prosperity to depression to result in similar changes for agriculture. There is, of course, some influence; a period of business prosperity results in better prices, other things being equal, than a period of depression. But it also leads to higher prices of some things

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For the Sake of the Business

(Continued from page 14)

the estate of the deceased demands an adjustment of the account due under the partnership agreement. The adjustment frequently can not be made according to the terms of the partnership agreement because of the condition of the assets of the business, and payments then are usually cared for in some protracted manner. However, that is the ideal case where the heirs readily assent to such an adjustment, but most usually the demands become hectic because of the stress of family needs, which in many instances has been the cause of the liquidation of a profitable business.

Appeasing the Heirs

Co-partnership life insurance plays a big part in the adjustment of interests of the deceased, because funds are readily made available by virtue of a co-partnership policy. Where co-partnership insurance is carried the adjustment is made with ease. The heirs can be appeased by a partial payment from funds obtained under the policy and in such cases they usually are willing to wait for the balance due the estate. *Co-partnership insurance is the antithesis of liquidation.* It helps a concern continue and maintain its credit standing because the capital has not been impaired by the death of a partner, with the result that the funds are there to bridge over the loss until a renewal of the initiative can take place.

When a corporation is formed for the purpose of exploiting a patent where the patentee is an officer of the corporation, it is advisable to carry a substantial amount of insurance on the life of such an inventor. What is true of inventive genius is also true of executive ability in commercial lines. Where it is believed that the absence of an officer of a corporation would prove to be a burden to the profits of the organization, in that instance ample insurance should be carried on such an individual with the corporation as beneficiary.

Life insurance as well as any other insurance lends considerable support to any credit proposition. Not only is this so because it protects the debtor's business, but because it helps build up the moral risk. It is constantly suggested by bankers and much of it is heard in trade circles.

It is so well recognized that the standard financial statement forms of the National Association of Credit Men have a clause inquiring as to the amount carried. The advantages offered by this type of insurance is evidenced by the many concerns who carry it, as is evident from an examination of financial statements. It is nothing unusual to find amongst the assets of a concern an item "Cash equity in life insurance carried." In some instances the cash surrender value is as high as \$100,000. In a corporation, the man who is in

charge of the affairs of a company and is the responsible directing head is not often likely to display much initiative towards the proposition of carrying life insurance on himself. That is for the Credit Managers of concerns selling the corporation and the stockholders to suggest.

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(Continued on page 47)

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Answers to Credit Questions

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Criminal Code

Q. Can the enclosing of an abstract of the Criminal Code (Section 215, Page 1455-1909, Supplement U. S. Compiled Statutes, 1901), be construed as a coercion or intimidation?

A. It is held that to merely threaten is generally not a crime but the intention to extort money or compel a person to do or refrain from doing some lawful act against his will is a necessary ingredient of the offense.

Under the statutes prohibiting the making of threats, it is held to be an offense to threaten to charge another with a crime or to threaten to institute a criminal prosecution. No precise words are needed to convey a threat; any words or acts calculated and intended to cause an ordinary person to fear an injury to personal business or property being sufficient and this may be done by innuendo or suggestion. Under many statutes, it is a distinct and separate crime for a person to send threatening letters. The letter need not be signed and may contain threats either of the sender or of some other persons to accuse of a crime, to impute disgrace, and may be for the purpose of obtaining that which, in justice and equity, the writer of a letter is not entitled to receive. It will not excuse a defendant that he used no such phrase or form of speech for if, in fact, it can be found that the purport and natural effect of the latter is to convey a threat, the mere form of words is unimportant.

Drafts

Q. Is there a statute in Mississippi requiring banks to hold the proceeds of drafts for a period of ninety-six hours before remitting?

A. We understand that there is such a statute, not only in Mississippi, but in several of the other southern states. The purpose of the statute is to give the maker of the draft time to take action to protect himself before the funds leave the state in the event that the merchandise for which the draft was given proves unsatisfactory, or other similar contingencies arise.

Protest Notices

Q. Where a note is given by a customer with the personal endorsement thereon of another party whose street address and town in which he resides is unknown to the holder of the note, in the event of non-payment, where can the protest notices be mailed in order that the endorser is properly notified? Does the holder lose any of his rights by not insisting at the time the note is received upon knowing the full name

As To Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

—E. P. P.

and address and town of any and all endorsers? Also, in such a case where protest notices cannot be mailed owing to insufficient addresses, are the rights of the holder protected by mailing out these protest notices after the full addresses are received, which may be several days after the note has actually matured?

A. If the residence of a party entitled to notice is not known, it is incumbent on a holder, in the absence of a statute providing otherwise, to use reasonable and prompt deliverance to ascertain such residence and to inform himself if there is a post office at the place to which he desires to direct notice.

It is not sufficient to send a notice to the endorser in the care of the maker, addressed to the residence of the maker, without making an inquiry. If, however, the holder or the notary makes diligent inquiry for the endorser from parties likely to know of his whereabouts and duly acts on the information obtained, the endorser will be held although the notice was delayed or sent to the wrong place or in fact failed to reach him altogether and subsequent knowledge of the true residence of the endorser does not necessitate the sending of another notice.

In New York under statutes providing that to hold the endorser notice of protest must be sent to him, and providing that where the address of the endorser is not added to his signature, notice must be sent either to the post office nearest his place of residence or to the post office where he is accustomed to receive his letters; that notice of protest addressed merely to the endorser, "New York City, New York" is insufficient where there is no evidence that the endorser lived, ever had lived or was sojourning in New York and no inquiry was made to ascertain whether such was the fact.

Conditional Sales Contract

Q. Can a conditional sales contract legally cover future purchases or must it be confined to a single transaction? Can such a contract provide for the retention of title despite the resale of the merchandise, and can the seller retain title to the proceeds of the resale of the goods and recover the same in the event of the bankruptcy or insolvency of the customer?

A. The essential element in a contract of conditional sale is the provision for the retention of title in the seller until payment of the purchase price. The law does not prescribe any particular form that shall be used and such variations in the details of the agreement may be made as the parties may desire.

The statutes of most states require that such contracts shall be filed or recorded in order that the retention of title shall be good as against third persons and unless the statute is complied with, the attempt at retention of title is void. It is not unusual that such contracts shall apply to successive shipments over a period of time, but it is safer and better to have a special contract covering each shipment in order that the precise goods to which title is retained shall be definitely disclosed in the recording office.

Conditional sales for resale are expressly recognized in the Uniform Conditional Sales Act and independent of statute, the retention of title in such cases is usually upheld. In a few jurisdictions, however, conditional sales for resale are held fraudulent and void as against third parties.

When goods are sold under a contract of conditional sale for resale, it is usual to incorporate in the agreement a provision to the effect that the proceeds of the resale shall be the property of the conditional vendor and shall be kept in a separate trust account. Such a contract, if properly drawn, will be good as against all third persons, including a trustee in bankruptcy and the conditional buyer.

Bankruptcy

Q. What is the jurisdiction of the bankruptcy court in Texas in the case of a partnership where some of the partners reside in West Virginia?

A. The Bankruptcy Act and the general orders give to the court in which the petition is originally filed, jurisdiction over all of the partners, regardless of where they may reside, but the proceedings may be removed from the district where the petition is filed to another district, if the court is satisfied that it is for the greatest convenience of the parties in interest that the case should be transferred to another district.



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The Business Library

(Continued from page 42)

which the farmer buys. These costs usually continue well into the next business depression and this process naturally operates to reduce farm profits.

The author's second important conclusion is that it is not worth while for farmers to attempt to adjust their production policies to changes in demand or costs predicated on business forecasts. His third, and probably his most significant conclusion is that the remedies proposed for flattening out the business cycle curves will, in general, be of very little real help to the

farmer. Most of these are directed toward the leveling of the industrial unemployment curve. Only one remedy appears to offer any definite help for agriculture. That is the suggestion that the necessary data be made available, chiefly by public agencies, so that producers can study the statistical position of the commodities involved and then proceed to neutralize the tendency toward distinctive cycles by expanding and contracting agricultural production in anticipation of the situations which now lead to cyclical oscillations.

Such information is, as Mr. Engberg says, already available to a considerable extent. Federal and state governments, col-

leges, newspapers, farmers' organizations and other agencies are preparing and circulating a wide variety of reports on production, consumption, stocks, European supply and demand conditions, intentions of farmers to plant and to breed, business conditions, and prices. Mr. Engberg and his associates in the Institute of Economics are clearly doing the farmer a service when they stress the beneficial effects of the broadcasting of such information, and the desirability of extending and improving these services.

Distribution as Ohio State University Sees It

PRINCIPLES OF MARKETING. H. H. Maynard, W. C. Weidler and T. N. Beckman. Ronald Press Co., N. Y. 682 pp. \$4.50

Ohio State University's achievement in the production of business texts has been the subject of frequent comment during the past two or three years. This particular volume is dedicated "To Dr. James Edward Hagerty, Pioneer Teacher of Marketing," by his associates in the O. S. U. faculty,—Dr. Maynard and Mr. Weidler, professors of marketing, and Dr. Beckman, assistant professor of marketing and author of "Wholesaling" and "Credits and Collections in Theory and Practice."

As there were already several marketing texts in the field (at least one of which bore the same title), the authors varied the treatment by including a large amount of illustrative material, designed to supplement and clarify the principles discussed and also, possibly, to make it unnecessary to use a book of readings in connection with the text. Another point of difference is the fact that in this book the subject is approached chiefly from the point of view of the consumer.

The general division of material is into 34 chapters, with no allocation to "Parts" or "Books." After an introductory chapter, the authors discuss consumers' buying motives, marketing functions, and direct-to-consumer selling. The earlier and simpler types of retail institutions are described; then department stores, mail order houses and chain stores. There are two vigorous chapters on wholesaling, and special chapters on co-operative marketing, buying, transportation, storage, market finance, and risk-bearing. The concluding chapters deal with marketing from the point of view of ethics, costs and efficiency.

In the final chapter, "Marketing Efficiency," the authors pay their respects to Messrs. Chase and Schlink, whose advice to buyers in regard to getting their money's worth has attracted considerable attention lately, particularly among the national advertisers and their collaborators in the advertising agencies. These gentlemen contend, as most of the readers of this review doubtless are aware, that the consciousness of consumers is being stunned at every turn by the massed forces of national advertising, brands, slogans, annual models and high pressure salesmanship. Their



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remedy is that the consumers buy necessities on the basis of "impartial scientific advice."

To this the Ohio State professors reply that they doubt that the cases marshalled by Messrs. Chase and Schlink are typical or represent current practice in general; that they represent, rather, isolated abuses of competition; and that criticism of our marketing system is, like the report of Mark Twain's death, grossly exaggerated. To dispel these notions, the authors of "Principles of Marketing" suggest, one need only "attend a few meetings held by credit men's associations, examine the large number of codes of ethics adopted by different trade associations, become acquainted with some marketing literature, or maintain contact with a few business firms."

For the Sake of the Business (Continued from page 43)

always felt that their investments were not to be imperilled by a one-man organization. The president of the company was active, as well as every other officer, and each one was well qualified in his respective field. Department managers were carefully selected and their abilities as well as their visions and principles of commercial life were looked into carefully before they were employed. Each department manager is well reimbursed with a comfortable drawing account together with an interest in the profits. The stockholders, realizing that their organization was second to none in their field, felt that there should be some method of protection to insure the continued uninterrupted success of the company. A life insurance agent had planned out a system of protection.

This concern placed a substantial amount of life insurance on each of the officers as well as the department heads. In all cases the corporation is the beneficiary under the policy. In the event of the death of anyone who has to do with the managerial part of their organization, they feel that there is sufficient insurance carried on his life to make up for any loss in his department until his ability or initiative can be replaced. The moral integrity of their concern has thus been enhanced; and this, together with their financial standing, has enabled them to sell their paper in the open market at times when money was rather stringent, while other concerns in the same line and apparently equally responsible had difficulty in borrowing money. The moral risk of this concern is recognized by their bankers.

The manager of the laboratories of this concern was widely recognized and often heralded as an authority in his work. Much of the development of the concern depended upon laboratory work. This manager met with an untimely death, and the laboratory ceased to function with that rhythm that made it an outstanding department in the organization. The company carried a life insurance policy of \$150,000 on the life of this man which was immediately paid to the company as beneficiary. These funds came in very handily because the company had to go to Europe to find that

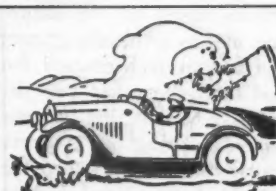
same ability and initiative and the laboratory was without managerial initiative for fully four months. The insurance carried was ample to tide over the loss until the ability was replaced.

The principle applying to large business can be applied with at least as much force to smaller organizations. I believe that we shall eventually see the time when all banks and trade creditors will insist that an adequate amount of life insurance be carried by every debtor, payable to the debtor's organization so as to minimize the creditors' risk.

As Real a HAZARD as FIRE



He was a choir singer on Sundays and on week-days the cashier of a Baltimore business establishment. One day it was discovered that during the preceding eighteen months he had stolen \$35,000 from his employers.



SHE was the cashier in a wholesale bakery. One day a friend of the proprietor learned that she had bought an automobile. The proprietor investigated and, much to his surprise, found it was his money that paid for the car.



HE was a salesman for a candy manufacturer and an old friend of the President of the Company. Not long ago the firm became bankrupt. Listed among the causes of its failure was the embezzlement of \$9,000 by the salesman.



HE was a truck driver. His friend was a warehouseman, and both were employed by a packing firm. Between them they disposed of untold quantities of goods after hours. Ten thousand dollars did not begin to cover the loss.

EMPLOYERS should no sooner neglect to place their employees under Fidelity Bonds, than they should fail to take out Fire Insurance on their places of business. Annual losses in excess of \$200,000, 000 prove that dishonesty is just as real a hazard as fire, and almost as costly.

From the credit man's point of view, therefore, propositions

involving the extension of credit to firms which are not adequately protected against the hazard of dishonesty should be just as closely scrutinized as those concerning firms which do not carry adequate fire insurance.

Both forms of protection are in the same category and both are equally indispensable.

FIDELITY AND DEPOSIT COMPANY OF MARYLAND BALTIMORE

Fidelity and Surety Bonds and Burglary Insurance

When writing to advertisers, please mention the Credit Monthly

Cheap Protection of Rents

(Continued from page 20)

credit manager may be extending credit, decides at the manager's recommendation to obtain rents insurance; and, inasmuch as his property is 90 per cent. rented, he takes it out on the "rented or vacant" basis. Upon consultation with a reliable contractor he is assured that the property can be reconstructed in nine months, and therefore a policy is issued based on nine months to rebuild.

The other plan available to him for arranging such insurance is to insure it on an "annual rental basis." This means that instead of specifying a time to rebuild, the full year's rental income is insured, and therefore he is fully protected even if his building were untenable for eleven months or the full twelve months.

In fact the most common practice is that of insuring the "rented or vacant" portions based on the annual rental value, and as a rule the greater credit in premiums is permitted for this method than the other two described. It may be true that in some cases a man is insuring his property on the annual rental basis when the building might be replaced in ten months, but one is so often painfully surprised nowadays at the length of time required to construct that it is best to have the full protection, which costs so little more to carry. There have been many instances where own-

ers of buildings felt confident they could replace their building in nine or ten months only to find that a year and a half to two years was necessary.

When it is realized that this is not alone a form of insurance for owners of larger office buildings, apartment houses, etc., but also available for the "little fellow" who owns his own home, the scope of this insurance is even better appreciated. Any house owner can have such a policy covering his own rental value even though he owns and occupies a single house, and he can insure it for its rental value, thus making himself a better credit risk, for he has an income during the time his house is being reconstructed. As this, for the home owner, is available at the nominal cost of from \$1 to \$3 a year, it should be requested wherever possible. The premium involved is so small that insurance agents as a rule do not solicit such protection on dwellings but will willingly attach an endorsement to the fire policy so that it will include this protection.

In many of the sections where tornadoes are prevalent, the residents insure their houses against loss of rental income by tornado as well as by loss through property damage. In fact, some of the banks demand windstorm insurance just as they do fire and the result is that in many of those sections a combined form is available so that the policyholder

can obtain fire insurance, rents insurance, windstorm insurance, and windstorm rents insurance, all in one policy.

In a like manner the owner of the two-family or three-family house is a much better credit risk when he protects the loss of such rental income by insurance. Should he be a property owner just squeezing by, either property poor or financially involved in many ways, the interruption of his rental income for a year or so could bring serious consequences. The cost of this insurance is so small that as a credit protector it should not be neglected.

Even a man's garage can be insured against loss of rental income and included right in the policy, and this is especially important where a two or three stall garage is constructed, for if the dwelling burned the chances are the garage would also be destroyed and the rental income of \$15 or \$20 a month is an important factor.

The rates charged for this form of insurance are a percentage of the regular property damage Fire Insurance rate, and they vary slightly according to the form chosen under which to carry the insurance, and also according to what section of the country in which the assurer lives. It is safe to say that they range from 30 to 50 per cent. of the fire insurance rate.

National Clearance System

(Continued from page 10)

pedite the collection and distribution of credit data. The bureau files signal the names of interested creditors in several million debtor accounts in city, town and hamlet and the few at the country cross roads.

How does the system meet a situation like that of the dry goods store above cited? The following illustration should answer that question and leave no room for doubt as to the efficiency and sufficiency of the service. A recently issued report on a department store in the southwest reflected ninety-eight separate and distinct trade experiences showing the debtor concern purchasing merchandise in thirty-one different markets from Boston to Texas and from Baltimore to St. Louis.

This report was virtually the key which unlocked the accounts payable ledger of the debtor company, and

laid bare to all creditors alike, the cold, unvarnished facts, requiring no analysis or explanation, as to the exact status of the debtor's obligations.

The number of such reports issued by the Credit Interchange Bureaus and placed on the desks of creditors every business day runs into the tens of thousands.

Great System Built Up

The National Clearance System has now been in operation more than seven years. Its spectacular, yet sound and wholesome growth gives unquestionable evidence that it has measured up to the requirements of every classification of business. It is recognized as the proverbial "ounce of prevention" of credit losses.

Although the general principles of credit granting are fundamentally the same in all industries, it is recognized that the problems growing out of the application of these principles are not common to all industries alike.

For instance, one industry may not have to contend with the discount evil, claims for spoilage, damaged goods and the unwarranted return of merchandise and other sharp practices which are veritable boll weevils of the receivables of many other industries.

In order to adequately cope with the credit problems as they exist in these industries and apply corrective measures, the National Association of Credit Men established a Trade Group Department last January, to cover every activity of trade as it relates to the many phases of credit. It was necessary to classify trade groups into three divisions; namely, (1) local, (2) district and (3) national, and to provide as many types of service.

(1) *Local groups* are comprised of dealers whose sales are restricted to a limited trade territory, usually that

(Continued on page 50)



Prosperity ~

The rise and depression of certain outstanding elements in our agriculture, commerce and industry are controlling factors in the trend of prosperity.

Credit—in making the wheels of industry turn faster has given an immeasurably wider distribution to American products. It has produced confidence among American business men and has acted as the stabilizing force to increase general prosperity.

Insurance while protecting the individual and his property has been an underlying factor in the support of our great credit system. Safe credits depend upon safe insurance. The Agricultural is indicative of safety in insurance.

Agricultural
Insurance Company
of Watertown, N.Y.

When writing to advertisers, please mention the Credit Monthly

Robert E. Nuese

Credit work suffered a loss in the death last August of Robert E. Nuese, who was Secretary to Francis H. Leggett & Co., New York, only a few months after he had retired from business. His long career with this company began in 1880, when he started there as office boy. His outstanding work was as Director in Charge of Credits. He was an important factor in the development of his company, and for many years was acknowledged as an expert in the credit field.

Fires Lower Credit Ratings

A few figures which show how fires often lower the credit ratings of concerns are found in the *Virginia Municipal Review*:—

"In one hundred concerns with data selected at random from fire and record loss files: 43 per cent. did not resume business, 26 per cent. were unaffected as to credit rating but they too lost in other ways, 17 per cent. furnished financial statements before the fire but no longer do so, and 14 per cent. suffered a reduction of from 30 to 66¾ per cent. in their credit ratings."

Where KNOWLEDGE is Bliss and IGNORANCE is Folly

Ignorance may be bliss and it may be folly to be wise—in poetry—but *not in business*; for Ignorance is the greatest of all business evils; because it is blind business in action.

Successful business *knows*, from costly experience, that Ignorance is *anything but bliss*. And that the only connection *folly* has with *wisdom* is when business has been foolish enough not to be wiser sooner.

Nine out of ten infirmities and failures in business are directly traceable to barren Ignorance—ignorance of trade conditions, of costs, of markets, of simple organization, system, management, control. And, above all, *blind* ignorance of the presence of a new order of things in business today—the order of *exact knowledge based on dependable facts and figures*—the order of Modern Accountancy.

Ignorance is the bandage to the eyes, the chain to the feet, of Progress. Knowledge is the wings lifting business to greater heights in human service—and so to Power and Profit.

A business that *knows itself* does not fail. A business that *guesses and gambles* never fails to fail

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COST SYSTEMS—TAX REPORTS

National Clearance System

(Continued from page 48)

covered by one of the local associations of credit men, of which there are one hundred and forty-five. The service consists chiefly of a combination of Interchange service and periodical group meetings at which round-table discussions of questionable and troublesome accounts are held.

(2) *District groups* are composed of wholesalers and jobbers covering a wider range of territory. The service is very similar to that furnished local groups, although in the larger groups of this kind a monthly or bi-monthly consolidation of ledgers or delinquents is substituted for the periodical meetings, which are impractical owing to the difficulty of securing a quorum.

(3) *National groups* are composed of manufacturers doing a nationwide business. The service consists of Interchange plus periodical consolidation of ledgers. By consolidation of ledgers is meant the compilation of various schedules submitted by each group member on forms designed for the purpose, and consolidated for the purpose of ready reference.

Each group is properly organized to handle the trade abuses, unfair practices, and various other evils with which most industries have to contend in one form or another.

Space will not permit a description here of the forceful and effective way these many forms of credit evils are curbed and corrected by group action. However, such details, together with an outline of group organization and procedure, may be obtained on request from the Trade Group Department, either in the New York or the Chicago office of National Association of Credit Men.

When writing to advertisers, please mention the Credit Monthly

A Basis for Credit

(Continued from page 16)

them from ruin in a year when crops are destroyed.

Burglary insurance is an important item, particularly in some lines of business. In certain localities this danger is very great. Plate glass insurance often results in a comfortable saving throughout a period of years.

Fire insurance is widely used, but why is use and occupancy coverage so sadly neglected? Loss of profit, loss of time, etc., run into large figures when a concern is unable to operate satisfactorily during the rebuilding or repairing period following a fire. A small premium may easily mean a profit instead of a loss, on the business for a year.

How very often we know of firms that have a good coverage in most lines, but that carry no credit insurance whatsoever! How can we justify our position when we insure against the hazards of manufacturing, distributing (wholesale or retail), and then sacrifice our profits in accounts that are never collected? Surely there has been a woeful lack of education on this subject.

Advertisers are constantly offering valuable information and suggestions regarding many forms of casualty insurance. If these messages are studied from the viewpoint of the buyer as well as the seller, Credit Managers can make them the basis of a service that will be mutually helpful to their customers and to themselves.

Certainly whatever a merchant debtor does to insure the payment of accounts that he owes, benefits both himself and his creditors, and gives him a far better basis for his credit.

Every line of business activity has one or more operations that should be protected by the proper form of casualty insurance. Sometimes it is through ignorance that suitable protection is not secured. Often the man in charge of a small business knows that he is ignorant of such matters and hesitates to call upon an insurance company, because he fears that a high-powered salesman will sell him something that he does not need and that he cannot afford.

"Consult your insurance agent or broker as you would your doctor or lawyer," is sound advice. If you are then in doubt, talk it over with the

Credit Manager of a house from which you buy. His prosperity is linked so closely with your success that he is bound to give you his best advice.

A timeworn excuse for under-insurance, is that "the rate is too high." This is clearly an error, for the high rate is the surest sign of danger. *The higher the rate, the greater the hazard*, and often the high rate shows the business man how great is his

need for protection and what a desperate chance he is taking without the coverage.

Large organizations are of course more likely to carry proper insurance than the smaller concerns, although often the larger ones would be in a much stronger position if they were amply insured against the different forms of loss peculiar to their particular line of business.

The wise credit executive may

FORETHOUGHT

Courage and self-confidence prompts the writing of this advertisement. It is written by a credit executive with over five years of very extensive and successful experience in credit and office management. Now well employed but seeks a connection with a recognized progressive concern where there is a better opportunity for an aggressive, conscientious worker of proven ability. Briefly, I am 25 years of age single, a Christian of clean record, excellent training and endless ambition. Can furnish the very best of references as to character and ability. Salary and location are matters of secondary consideration. Address Box No. 101.

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Fire insurance undertakes to indemnify for loss by Fire and other hazards. Fire insurance companies expend large sums in safeguarding the public from preventable disasters; in establishing standards for construction and in developing protective devices for use by individuals and by municipalities in saving life and property.

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**1928 IS JUST AROUND THE CORNER—
USE THE REMAINING MONTHS OF 1927—
QUALIFY FOR THAT BETTER JOB IN**

CREDIT MANAGEMENT

Progress for the man or woman in business is marked by milestones in the form of increased responsibilities and better compensation. These evidences of advancement are won partly on the basis of experience, but they depend essentially on a far more important factor,—systematic education in the established principles which underlie sound business practice.

The purpose of the National Institute of Credit is to provide at the lowest possible cost to the student, educational training which will make advancement in business not a possibility but a certainty. In the credit field, the Institute aims specifically to qualify its students, whether beginners, credit men, credit managers or credit executives, to move up to the position which is immediately ahead of them and which represents the next logical step in their advancement.

The Institute is a Department of the National Association of Credit Men. Its educational work is carried on through two main channels—class room courses offered under the auspices of local credit associations in a number of cities, and correspondence courses conducted from the National Office at One Park Avenue, New York City.

Prospective students who are within traveling distance of one of the class room courses should, if possible, carry on their study in this way. By so doing they will get the advantage of personal contact with the instructor and opportunity for exchange of opinion and experience with other students.

Those who are not able to attend class room courses should arrange to take the correspondence work.

Correspondence Courses now offered by the National Institute of Credit are two: Credits and Collections, and Basic Economics. The material in each course consists of a text book, printed lecture assignments, and problems to be solved and sent to the Director of the Institute for correction and grading, after which they are returned to the student with grade and comments.

The text in the Credits and Collections course is "Credits and Collections," by David E. Golieb and Richard P. Ettinger, published by Prentice-Hall, Inc. In connection with this course there are five problems.

In the Basic Economics course the text is Henry Clay's "Economics for the General Reader" (the American edition, edited by Professor Eugene E. Agger, of Columbia University.)

Correspondence courses in Business English and Accounting are being planned and will be announced as soon as they are ready.

Meanwhile a number of students are continuing their work toward the Institute's certificates by taking correspondence courses offered by educational institutions such as Columbia University and the University of Wisconsin. Apply direct to these institutions for full information.

DR. FRANK A. FALL
NATIONAL INSTITUTE
OF CREDIT DEPT. 10
One Park Avenue,
New York City.

Will you kindly mail me information concerning the following courses: (Check course desired).
"Basic Economics" ()
"Credits and Collections" ()

Name.....
City..... State.....
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Firm.....

Certificates The National Institute of Credit gives two Certificates, the Junior and the Senior Certificate. The Junior Certificate is awarded to students who have completed the following 300 hours of work.

Credits and Collections.....	60 hours
Economics.....	60 hours
Business English.....	60 hours
Accounting.....	60 hours
Law of Contracts, or Corporation Finance and Investment Credit.....	60 hours
Total	300 hours

The Senior Certificate is awarded to students who have completed the work prescribed for the Junior Certificate and 300 additional hours (a total, therefore, of 600 hours) in the following subjects:

Law of Contracts, or Corporation Finance and Investment Credit.....	60 hours
Principles of Business.....	60 hours
Merchandising.....	60 hours
Money and Banking.....	60 hours
Business Barometrics.....	60 hours
Business Law of Bankruptcy.....	60 hours
Negotiable Instruments.....	60 hours
Foreign Trade and Foreign Credit.....	60 hours
Credit Research.....	60 hours
Total	600 hours

Associates and Fellows in Credit Students who have been awarded the Junior Certificate and who have had three years of practical credit experience become Associates of the National Institute of Credit. Students who have been awarded the Senior Certificate and who have had five years of practical credit experience become (provided they are at least 25 years of age) Fellows of the National Institute of Credit.

Organization The educational work of the Institute is under the direction of the Director of Education, aided by a Supervisory Committee, composed of a board of four business educators and eight experienced credit men. The Committee on Credit Education of the National Association co-operates in establishing and maintaining local chapters.

Today is not too soon to get started on an Institute course. Fill out the coupon at the lower left-hand corner of this page and send it at once. By return mail you will receive a general prospectus of the Institute, special bulletins describing the correspondence courses, and registration blanks. The courses are \$15 each or \$25 if taken together. This is at cost. The aim of the Institute is not to make profits but to help to produce better credit men.

Even if you are not definitely engaged in credit work, or looking forward to it, remember that these courses will be of distinct value to you in any business. When new policies are to be formed, modern business turns to the man who is thoroughly trained in the principles of credit, for the man who knows credit knows business.

Mail the coupon today, and the Institute will give you full information concerning the courses. Then let the Institute help you to get a thorough knowledge of credit—the foundation stone of modern business.

NATIONAL INSTITUTE OF CREDIT

One Park Avenue

New York City

Study of Credit Principles Improves Credit Practice

here demonstrate his ability. A customer will accept the suggestions and act upon the advice of the Credit Manager of the firm he buys from, when he would give no heed to the same suggestion from an insurance man.

In the past, one who seeks to establish his credit, has been pretty sure of receiving the desired accommodation if he submitted a satisfactory financial statement and carried ample fire insurance. It is now realized that every asset may be wiped out in a jiffy by a loss or suit, resulting in ruin for the debtor, and on this account, a heavy loss for the creditor. A small amount spent for the proper kind of casualty insurance would have absolutely prevented both these losses.

The first question asked by the careful Credit Manager who seeks to protect both his customer and himself, is "Have you ample casualty insurance of each kind necessary to protect your business from a disastrous loss of uncertain amount?"

Credit Manager's Responsibility

If the Credit Manager will make it a rule to keep a record of all insurance carried by each debtor, he will find many opportunities to suggest some form of casualty insurance that will effect a saving and assure protection for the creditor against a loss that is very likely to occur.

The Credit Manager has a two-fold responsibility: (a) Selfishly to safeguard his own account in every legitimate way; (b) to help the customer, by showing him on easy way to protect his business against a possible heavy loss.

In some cases the Credit Manager finds it at first difficult to induce a debtor to spend money for something that he mistakenly considers useless. But such cases offer an excellent opportunity for the Credit Manager to demonstrate his skill. Perseverance and tact are accomplishing wonderful results in this line.

An important part of the credit assets of every merchant, is ample casualty insurance to protect him against heavy losses. Every merchant should consider this carefully—not only as regards his own business—but also in respect to the customers to whom he may extend credit.

Both creditor and debtor will be helped if all insurance policies are

regularly checked up to see that the customer's credit as well as property are amply protected by the proper kinds of insurance and in sufficient amounts. The Credit Manager can stress the fact that the purpose of every business enterprise is to make money, and that the proprietor of any business, large or small, should welcome any honest and constructive suggestion for insuring his profits.

When it is generally known that any business may be protected against practically every loss, by insurance, Casualty Insurance will become a fundamental basis for credit. Every

wise Credit Executive will then regard adequate Casualty Insurance as a determining factor in deciding where and how much credit to extend. Then, too, every man in business will be eager to let a small premium prevent a large loss.

This education of buyer and seller to the need for adequate Casualty Insurance will doubtless take a little of the Credit Manager's time, but the results will repay him many times over.

"Tomorrow is too late to insure today's losses." Why not begin today?

—"*The Progressive Casualty Company*"—

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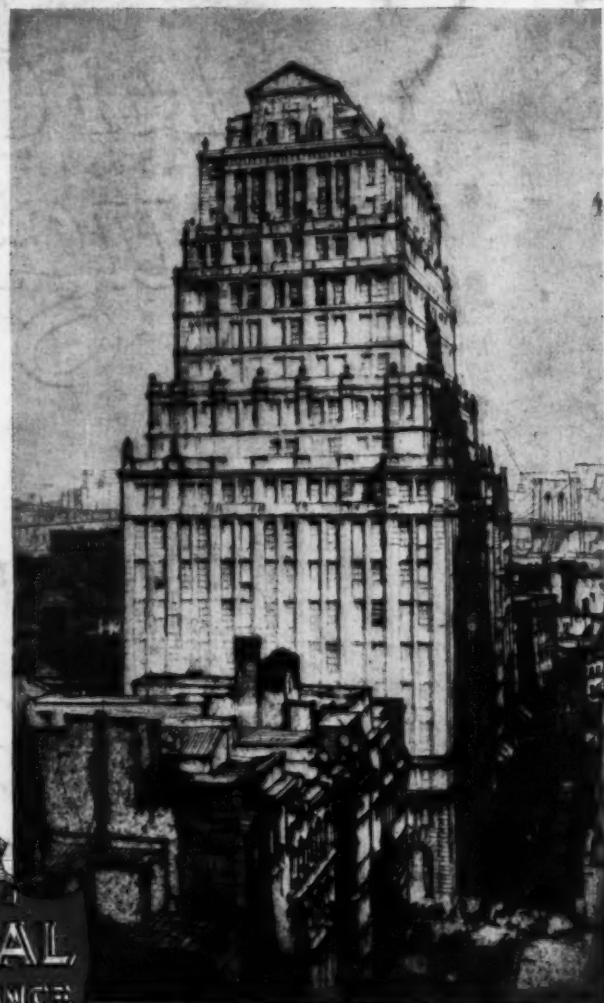
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